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An exploratory study of constructive differentiation by managers of multi-ethnic workforces in Indonesia and Malaysia

M. A. Fergusson-Stewart
Edith Cowan University

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**An Exploratory Study of Constructive Differentiation by
Managers of Multi-ethnic Workforces in Indonesia and
Malaysia**

HONOURS THESIS

M. A. Fergusson-Stewart

25th of March 2002

ABSTRACT

Indonesia and Malaysia are two of Australia's closest geographical neighbours and represent major trading partners, making them highly significant to our economy; Malaysia, as one of the economic success stories of Southeast Asia and Indonesia, as the third most populous nation in the world are politically and economically of great significance to business in Australia.

Although Australia has a long history of political and economic stability, this is not true of Indonesia and Malaysia. Both have experienced racial rioting, the former as recently as 1998, and the latter in 1969. Much of the tension that has led to these riots centres around the relationship between the ethnic Chinese communities in these countries and the other ethnic groups, particularly the Pribumi in Indonesia and the Bumiputera in Malaysia. Ethnic Chinese control much of the wealth in these two countries, even though they constitute 3 percent of the population in Indonesia and 27 percent in Malaysia.

Understanding the dynamic of the relationship between these groups in a business context is of immense value to Australia business, particularly in consideration of the wealth of the ethnic Chinese and the proximity of these nations. This research attempts to contribute to that understanding by comparing the management of ethnic groups in each country. This will facilitate the determination of the destination of Australian foreign investment in this region, as well as provide insight for cross-cultural managers. The research is made more significant by the present lack of literature in this area, particularly of a comparative nature.

The research suggested, from in depth interviews with ten Indonesian and Malaysian managers that in general, Malaysian managers show a greater degree of positive differentiation in the management of ethnic groups than Indonesia managers, as well as commenting on some of the ramifications of this. This must be qualified by pointing out that there appears to be significant common ground in their respective approaches, but the research suggests that on the whole, Malaysian managers differentiate more positively. This result was considered in the context of the different histories, economies and political strategies of the two nations

The research was limited by a number of factors including time, lack of existing literature and sample size. A number of assumptions were also made, including that the managers interviewed are representative of their respective nations, they were honest in their responses and that managers tend to follow the wider societal trends in their respective nations. Further research needs to be done not only to support this research, but also to determine the extent of the apparent difference in approach between Malaysia and Indonesia. Quantitative research with a large sample size would be the most practical way to achieve this.

Within these constraints, the initial research question, "Is there any difference in the level of constructive differentiation exhibited by managers in Indonesia and Malaysia in the management of ethnic groups?" was cautiously answered in the affirmative, with Malaysia appearing to differentiate more positively. This has important implications for the training of managers to work in these countries, and for organisations doing business in these countries. Understanding the differences can enable management and business techniques to be more refined and therefore more effective.

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1.0 INTRODUCTION

The growth of economies in Southeast Asia over the last decade has ensured that these nations are becoming major world economic forces. Indonesia and Malaysia, as one of the largest populations and largest economies in this region respectively are two of the economically important nations in this region. As they continue to grow, they become more and more important, particularly to Australia, which shares a strong trading relationship and geographic region with them.

Indonesia and Malaysia however, do not share in the political and economic stability that Australia has experienced in the post-colonial period. Where Australia has experienced relative harmony, Malaysia has experienced race rioting, an alleged lack of judicial independence and an institutionalised system biased towards certain ethnic groups. Indonesia has recently experienced leadership struggles, race riots as recently as 1998 and political unrest as recently as 2000.

One of the issues at the centre of many of these problems has been conflict and tension between different ethnic groups. Race riots in Malaysia in 1969 (Crisp & Santha, 2000). and Indonesia in 1998 (Shari, 2000) were largely conflicts between indigenous populations and citizens who are largely ethnic Chinese. Other ethnic minorities such as ethnic Indians and other political issues such as globalisation often make these conflicts more complex, but the conflict involving ethnic Chinese communities is undeniable. These complex contextual issues feature prominently in the research, as the results are analysed in the context of Indonesia and Malaysian society and norms.

The literature review is presented in *Section 2* and takes different perspectives including management of ethnic groups in the respective countries and broader ethnic issues in Indonesia and Malaysia, as well as throughout the region. A great deal of information about the importance of the ethnic Chinese was available, but there was less about the ethnic differences in each country, although Rani and Hamid (2001) detail some of the ethnic differences that exist in workplaces in Malaysia. *Section 2* further discusses some of the gaps in the literature, which are quite striking, particularly in consideration of the significance of this research, as detailed in *Section 3*. The lack of comparative data between Indonesia and Malaysia, and the general lack of management oriented data in Indonesia heightens the importance of this research. Management

literature regarding the idea of cultural differences in management, as well as some literature addressing the key management issues discussed is also included.

Section 3 of this paper outlines how the research study will explore the issue of constructive differentiation by managers of multi-ethnic workforces in Indonesia and Malaysia. Constructive differentiation in this study is interpreted as managerial behaviour that is positively mediated by ethnic differences in the workplace. The section goes on to examine the methodology undertaken in pursuit of exploring and understanding the issues relating to the research questions. *Section 3* clearly outlines the research purpose and significance, with reference to statistical and qualitative data about the role of ethnic Chinese in the Southeast Asian region, as well as pointing out some of the assumptions that have been made. Several authors such as Suryadinata (1997) comment extensively on the important economic and cultural role the ethnic Chinese play in Southeast Asia. The section further discusses and justifies the qualitative approach and the sampling technique used in this research, before detailing data collection and analysis. The section finally details the limitations experienced, including sampling, literature, time and language limitations, as well as explaining what steps were taken to mitigate these limitations.

Section 4 and *Section 5* of this document present the data obtained through primary research, for Indonesia and Malaysia respectively. The data is presented partly in tabular form and partly in a more detailed form, before leading into an analysis of the data in each respective country. The data in these sections summarises the view of all respondents within each country, detailing where there appears to be a consensus and where there is no significant national trend observable. It is not until *Section 6* that critical comparison of the data from each country is made, and some apparent differences and similarities identified at both a management and societal level. This section introduces *Diagram 6.1*, which demonstrates the different approach to ethnic differentiation that takes place in Indonesia and Malaysia.

Section 7 provides a final condensation of the analysis undertaken in *Section 4*, *Section 5* and *Section 6*, and draws limited conclusions with reference to literature, research data, research significance and the initial research questions. The ultimate findings, within their limitations, are suggestive that there is a difference in the level of constructive differentiation of ethnic groups exhibited by Indonesian and Malaysian managers, with Malaysian managers appearing to

demonstrate more constructive differentiation. This section also establishes important qualifications about the substantial overlap in the approach to this issue by the managers interviewed in each country. These qualifications include the suggestion that Indonesia and Malaysia are not mutually exclusive in their approach to this issue, but have substantial common ground. The conclusions are also discussed in the context of the broader societal context in each country, and its impact on the workplace. *Section 7* also reiterates some of the serious limitations of this exploratory research and includes some recommendations for further research, including a suggestion that a larger quantitative approach needs to be taken in this area.

Given the economic significance of the Indonesian and Malaysian nations to Australia and the economic power of the ethnic Chinese minorities within these nations, which will be established later, there is tremendous value in understanding the relevant ethnic issues. As the process of globalisation slowly heightens the volume of international trade and business, this understanding grows more important. The objective of this research is to provide some insight into the management of different ethnic groups in Indonesia and Malaysia, two of Australia's more significant trading partners.

Although sharing many similarities, Malaysia and Indonesia also demonstrate considerable differences in the area of ethnic differentiation and other areas. A heightened understanding of these differences will eventually contribute to a greater knowledge and understanding of this region, and greater success in business in this region. Management literature provides many examples of where a failure to appreciate differences such as those explored in this research has led to financial and managerial failure.

2.0 LITERATURE REVIEW

A review of literature has been conducted in two key areas. The first relates to the background of the two nations and the ethnic groups in question, including economic literature, ethnic assimilation literature and the literature pertaining to the roles and histories of these disparate ethnic groups, particularly the natives of the respective countries and the ethnic Chinese. The second relates to the field of management, considering the position of ethnic groups in Malaysia and Indonesia. The native and dominant ethnic groups of Indonesia and Malaysia are referred to as Pribumi and Bumiputera respectively. The final part of the literature review, *Section 2.3*, identifies some relevant areas where literature is lacking.

2.1 Ethnic Groups

Ethnic Chinese communities have a long and checkered history in Southeast Asia, with varying degrees of success throughout the region. In Thailand, for example, there is a very high degree of assimilation with many inter-ethnic marriages and many ethnic Chinese families adopting Thai surnames. (Cummings, 1992). In Indonesia, by contrast, there have recently been race riots, and scape-goating of the ethnic Chinese for economic problems. (Shari, 2000). Malaysia also experienced race riots in the 1960's but has been fairly stable in more recent years.

Part of the reason for the racial tensions, and the factor that makes Southeast Asian ethnic Chinese such an important group for study, is that they are a small number of the population, but control much of the wealth. (FT Information, 1999; Suryadinata, 1997) The figures and ratios vary throughout the region, but the ethnic Chinese tend to be far wealthier and more economically powerful than other ethnic groups. Generally speaking however, they have little direct political power, other than that that comes with their significant wealth. In Malaysia for example, the constitution explicitly provides for discrimination against the ethnic Chinese in business.

Much literature exists to explain the position of ethnic Chinese in Malaysia and Indonesia, from an external point of view. There is a wealth of this material available, which states that the Chinese hold a strong economic position in Malaysia but are routinely discriminated against by the populace, and through legal means. (Cruz, 2001; Nagata, 2000). Very little of this information

gives an ethnic Chinese perspective on the facts. Further information on Malaysia is focussed on current efforts to remove Bumiputera rights over the ethnic Chinese, (Cordingley, 2001: Crisp & Santha, 2000), some of it specifically emphasising the education system. (Gilley, 2000) This tends more towards an ethnic Chinese perspective, but does not consider how they feel about their role as managed individuals in the work place, only whether they feel certain aspects of society should be changed to their benefit, and how they should be changed.

The vast majority of the literature is based on qualitative research although there is some quantitative research available. Pearson and Entrekin present an empirical paper given close attention to the relationship between Chineseness and Chinese capitalism, a theme which is pervasive through the literature. (Pearson & Entrekin, 2001). This research also highlights the conflicting opinions as to the reason for the success of ethnic Chinese business people in South East Asia.

Substantial material exists on the broader sociological, ethnographic perspective, particularly much of the work by Suryadinata. Suryadinata (1997) focuses very strongly on the role of ethnic Chinese in Southeast Asia, examining their power, their history and their strong heterogeneity. Once again, the perspective is largely external, and considers the heterogeneity of the ethnic Chinese community as a whole, not on a nation by nation basis, and not as a comparison between nations. Ethnic Chinese in the broader context of Southeast Asian conflict is well considered also. Lande (1999) examines four different types of conflict in the region, one of which is specifically targeted towards the conflict involving ethnic Chinese throughout the region, specifically in Indonesia. This conflict is also considered by other texts such as Cohen, (2000).

In consideration of Indonesian ethnic Chinese enterprises, Jomo highlights some of the unique conditions that are imposed upon them. In 1950 for example, the government legislated to impose special poll taxes on Chinese nationals, and prevented them from trading outside of provincial and district capitals. Although many of the Chinese became citizens after independence, many had their assets nationalised as a punishment for their role in the 1958-60 rebellion. (Jomo, 1997)

The role of ethnic Chinese in the global economy and their capitalistic nature is very well documented, with strong consideration given to their links with the Peoples Republic of China

(PRC) and their use of networks in business (Pearson & Entrekin, 2001). Crawford (2000) particularly examines the role of the Chinese in the globalisation process, but gives little consideration to their ethnic identity. Other work including one already cited compares ethnic Chinese to Jews, in terms of both how they do business and how they have been persecuted. Considerations of how they have been scapegoats from a broad perspective are also widely available. (Cohen, 2000). Tan (2001) points out however, that ethnicity is only one of the factors causing division in Malaysian and Indonesian society.

2.1.1 Ethnic Chinese Communities

Ethnic Chinese communities exist throughout Southeast Asia and have a considerable influence over the wealth of the region. (Suryadinata, 1997). In recent years, there has been a great deal of academic material produced on the position of the ethnic Chinese in this region, particularly in Malaysia and Indonesia. Ethnic Chinese however, are not a single quantifiable culture but exhibit a strong degree of heterogeneity, sharing only a heritage and a capitalistic nature. (Suryadinata, 1997; Anonymous, 2000).

2.1.1.1 Social Factors

Understanding of ethnic Chinese, including their attitudes and perceptions of their role in their environment, can only be beneficial to those with an interest in the Southeast Asian region. Generalisations about the attitudes of such a homogenous group should be made with care, but an appreciation of their unique collective circumstances has the potential to open the door to a highly valuable business resource and give a significant competitive advantage. This is particularly true given the strength of the ethnic Chinese business network, which Peng (2000) acknowledges as an outstanding factor in Asian economic development.

An understanding of ethnic Chinese communities in Southeast Asia as a population and as a contributor to various national economies is a valuable asset for anyone wishing to trade in that area. Their numbers in the region are significant, forming 78% of Singapore's population nearly 27% of Malaysia's 8.6% of Thailand's and an influential 3.0% of Indonesia's. (Suryadinata, 1997). Their population in Malaysia gives them significant political power, with their vote capable of determining the outcome of elections. (Hiebert, 1999).

2.1.1.2 *Economic Factors*

Population is not the only aspect of their significance, their wealth is also a vital component of their importance in international business. Assets of ethnic Chinese were estimated at US\$1.5 trillion, with market value of ethnic Chinese businesses estimated at \$675 billion in 1994. This is equivalent to the economic strength of Taiwan. (Chang, 2000). Peng (2000) also points out that the ethnic Chinese are by far the largest investors in what he terms East Asia. This economic success and power must also be considered in the face of the ownership restrictions that are placed upon them in some Southeast Asian nations, such as legislation guaranteeing Malays 30% ownership of firms in Malaysia. (Anonymous, 2000)

Their highly capitalist nature and enormous economic wealth concentrated into a relatively small percentage of citizens of the Southeast Asian nations in which they are present, makes them an important economic force. It is clear that having knowledge of the position of the ethnic Chinese community is an advantage in doing business in Southeast Asia

2.1.2 Indonesian Context

2.1.2.1 *Social Factors*

With a population of over 228 million people (CIA, 2001a) Indonesia has recently been highly topical in the media because of the race-based riots in 1998 and subsequent unrest. "...the violence in 1998 was inevitable...They turned their wrath on ethnic Chinese, who dominate the country's business sector" (FT Information, 1999, p2). It is also suggested that the Indonesian army played a significant manipulative role in attacks on ethnic Chinese, who constitute 3.0 percent of the population, which included arson, looting and even rape directed at Chinese people. (Shari, 2000). Ethnic Chinese issues have existed in Indonesia far longer, with the Soeharto Government applying quotas to ethnic Chinese university places.(Central News Agency, 1999a). These issues were strongly borne out in the research interviews, even though they were not directly addressed in the questions. A number of respondents, including Indon1, Indon2 and Indon5, made mention of the riots of 1998 and the changes that have taken place since then.

Discriminatory events and practices have recently led to a number of problems for Indonesia such as the decision of many ethnic Chinese to leave Indonesia. "...the only way to keep Indonesians, especially ethnic Chinese, in the country, was to discard past discriminatory practices in the education system". (Central News Agency, 1999a, p2). These practices have also threatened the levels of foreign investment in Indonesia. "Taiwan investors pointed out that discrimination against ethnic Chinese by Indonesian people will hamper Taiwan's investment willingness in Indonesia..." (Central News Agency, 1999b, p1).

More recently, since 1998, there have been some changes in Indonesia's attitude toward ethnic Chinese in that the government has allowed public dragon dances for the first time since 1965. This is said to be part of former President Abdurrahman Wahid's policy to liberate the ethnic Chinese from the legalised forms of discrimination. (Cohen, 2000). It is also said that Indonesia's ethnic Chinese are now emerging from the repression that they have been subjected to for three decades, (Djalal, 2001) and a Presidential decree after the 1998 elections banned use of the terms 'Pribumi' and 'non-Pribumi'. (Tan, 2001). Endemic corruption however, largely based around the business connection with government and cronyism, remains a significant issue in Indonesia's unstable social environment. (CIA, 2001a)

2.1.2.2 *Economic Factors*

In 2000, Indonesia had a Gross Domestic Product (GDP) of an estimated US\$654 Billion, growing at a healthy 4.8 % in the same year. This will be in part due to an industrial production growth rate of 7.5%. Although the GDP figure is enormous, this figure works out to only US\$2,900 per capita per annum. Whereas GDP growth is promising, an inflation rate of 9% in 2000, and an estimated unemployment rate of 15-20% in 1998 are signs of an unhealthy economy. (CIA, 2001a)

The economic importance of Indonesia to Australia is obvious, particularly when one considers trade figures. In 1998-99 Indonesia was ranked tenth as a destination for Australian goods and services, spending A\$2,198,700,000 on them. They were ranked even higher at eighth in terms of our imports, selling Australia goods and services worth A\$3,264,600,000. (Department of Foreign Affairs and Trade, 2000)

2.1.3 Malaysian Context

2.1.3.1 *Social Factors*

Malaysia with 22 million people, a tenth that of Indonesia, has almost as many ethnic Chinese people, forming a significant 27 percent of the population. (CIA, 2001b) Ethnic Chinese in Malaysia experience many similar problems to those in Indonesia, although the discrimination tends to be more institutionalised and less violent, with no evidence of military manipulation. Nevertheless it is not taking its racial stability for granted and is painfully aware that it needs to take some care to avoid events similar to those in Indonesia. (Anonymous, 1999). Malaysia has faced this kind of ethnic violence in the past with race riots in Kuala Lumpur in 1969, where it is believed that at least 250 ethnic Chinese were killed. (Cohen, 2000). This same source compares Malaysian attitudes to ethnic Chinese with anti-Semitism in Western society.

Discrimination against ethnic Chinese in Malaysia is highly institutionalised within society, to the extent that it is actually codified in Section 153 of the Constitution. It has been suggested that Malaysia is somewhat unique in the granting of special privileges to an ethnic majority of its population, as it favours the 60% of Malays over the 30% of ethnic Chinese. (May, 2000). This system is applied by the granting of licenses and permits on a quota-based approach, giving preference to the Bumiputera majority. Section 153 was designed to protect Bumiputeras, who at the time of Malay federation made up the majority of the population but controlled a small amount of business and wealth. In 1969, Malay people controlled only 1.5% of the economy.

An argument put forward in favour of this Article at the time of writing was that 'An economically depressed Malay community in a prosperous Malaya will not mean a peaceful Malaya' (Tan, Yoe & Lee, 1991, p. 623). So it was essentially designed as a mechanism to avoid ethnic tensions. However, Article 153 has also been used punitively as in 1969 when some ethnic Chinese communities celebrated the Government's loss of its two-thirds majority. Riots followed the celebrations, the government proclaimed a state of emergency and then began to use Article 153 with greater frequency. This is obviously somewhat of a sore spot for the Malaysian Government as it has been made illegal to comment on the privileges that the Article provides. Sheridan and Groves (1991, p. 386), also refer to the case of *Fan Yew Teng Vs Public Prosecutor* 1975, which upheld the content of Article 153 and convicted the accused of producing a seditious publication because of his written criticism of the same Article.

As with Indonesia, the tertiary education system is also used to favour the Malays, with the suggestion that if enrollments were purely merit based then 5% of students would be Malay rather than the current 60-70%. (Jayasankaran, 2000). This may explain why there is a skill gap in Malaysia underlined by the tertiary enrolment rates. (Jomo, 1997).

2.1.3.2 *Economic Factors*

Where the Indonesian economy appears sound, the Malaysian economy is better and where the Indonesian economy is struggling, the Malaysian economy is not. Malaysian GDP in 2000 came to US\$224 Billion or US\$10,300 per capita. Furthermore, GDP grew by 8.6% in 2000, but due to a number of factors, this is expected to slow to somewhere between 3-6% for 2001.

Underlying this GDP growth is a 12.1% growth in industrial production in 2000. Where the Malaysian economy is clearly stronger than that of Indonesia, is in its inflation of 1.7% in 2000, and an estimated unemployment rate of 2.8% in 1998. (CIA, 2001b)

In terms of Australian imports and exports, Malaysia was almost on par with Indonesia in 1998-99. They were ranked eleventh in terms of receiving Australian exports, spending A\$1,858,200,000 on Australian products, and they were ranked twelfth in the same period as a source of Australian imports selling us A\$2,836,300,000 in goods and services. (Department of Foreign Affairs and Trade, 2000).

Despite the ethnic tensions in Malaysia, though they are less than those in Indonesia, credible suggestions have been made that Malaysia's policies have succeeded where Indonesia's have failed, as the economic gap between the ethnic Chinese and the other citizens has been closing in Malaysia and growing in Indonesia. (Anonymous, 1999). Malaysia has effectively been far more successful in moving towards equality amongst its populace.

Table 2.1 - Economic Conditions of Indonesia and Malaysia

<i>Economic Indicator</i>	<i>Indonesian</i>	<i>Malaysian</i>
GDP (2000)	US\$654 Billion	US\$224 Billion
GDP per Capita (2000)	US\$2,900	US\$10,300

GDP Growth (2000)	4.8 %	8.6%
Industrial Growth (2000)	7.5%.	12.1%
Inflation (2000)	9%	1.7%
Unemployment (1998)	15-20%	2.8%
Imports from Australia (1998-99)	A\$2.20 Billion	A\$1.86 Billion
Exports to Australia (1998-99)	A\$3.26 Billion	A\$2.83 Billion

Source: CIA, (2001a), CIA, (2001b) and Department of Foreign Affairs and Trade, (2000)

2.2 Managerial Context

2.2.1 Relevant Management Theory

Differences in culture, which are anecdotally clear, are also clear in management theory. Renowned in the field of national cultural differences is Hofstede, who examines these differences along different continua based on Power Distance, Uncertainty Avoidance, Individualism and Masculinity. (1980). Trompenaars and Hampden-Turner consider similar issues, examining national culture on five similar continua.

The root of cultural differences according to Hofstede lies in the fact that "People carry mental programs which are developed in the family in childhood and reinforced in schools and organisations". He further says, "...these mental programs contain a component of national culture" (Hofstede, 1980, p11), and he later considers this in terms of managerial roles including motivation leadership and decision making. Hofstede holds that "...stability of national culture over long periods of history is achieved through a system of constant reinforcement" through a cycle of "self-fulfilling prophecies" (Hofstede, 1980, p253). This is a position that is indirectly supported by Giddens (1979) in his discussion of 'duality of structure' a process whereby human behaviour, including cultural behaviour, continually reinforces and recreates itself, simply through being expressed. At the crux of this research, Hofstede discusses the fundamental role of culture in career behaviour stating "...career behaviour is therefore very much a reflection of cultural values". (Hofstede, 1980, p256).

Emphasising the need for management to understand cultural differences in another of his works, Hofstede states that "Culturally a manager is the follower of his or her followers: she or

he has to meet the subordinates on these subordinates' cultural ground". (Hofstede, 1991, p239). He elaborates on the significance of this by pointing out that cultural differences are rapidly becoming an area of international competitiveness. Hoecklin contributes stating "...his makes it more critical than ever to understand different cultures and their influence on the way people do business and view the world". (Hoecklin, 1994, p5). Hoecklin discusses some of the results of not taking cultural differences into account, giving examples of how failures of cultural understanding have led to serious financial failures.

Understanding of the importance of cultural knowledge for managers can easily be seen in consideration of Hau and Scull. They state "To manage is, in a general sense, to direct the work of others. Managerial effectiveness will thus depend on a managers ability to communicate their wishes to subordinates", something which inherently requires a cultural understanding. (Hau & Scull, 1995, p130). Further they point out that "The implementation of management development activities...in different cultures must be undertaken with an understanding of the underlying traditions and values of that culture. (Hau & Scull, 1995, 133). Boyacigillar and Adler also purport that "many aspects of organisational theories produced in one culture may be inadequate in other cultures". (Boyacigillar and Scull, 1995, p9)

Harris and Moran look at a number of systems through which culture can be approached including kinship, education, economics, politics, religion, association, health and recreation. Many of these approaches are incorporated into this research on the socio-cultural side including education, economics, association and politics. On the management side of this research, concepts such as motivation and leadership are also considered. Hodgetts and Luthans define motivation as "A psychological process through which unsatisfied wants or needs lead to drives that are aimed at goals or incentives". (Hodgetts & Luthans, 1991, p372). They also point out that although the process of motivation is the same across cultures, what actually motivates people varies greatly from culture to culture, and that "effective motivation is also grounded in a sound understanding of culture". (Hodgetts & Luthans, 1991, p392).

This theme is brought to the fore by Kossek and Lobel who state "When diversity is managed effectively, groups will develop processes that can enhance creativity, problem solving, workgroup cohesiveness, and communication." (1996, p3) They further emphasise that this is often not done well stating "Despite these reported benefits, the realization has remained elusive

for most firms.” And that this is because “traditional HR strategies to manage diversity have largely been introduced piecemeal, lacking integration with other systems.” (Kossek & Lobel, 1996, p3).

In the same text, Barber and Daly emphasise the importance of tailoring reward systems to different cultural groups. “Rewards, if they are to be effective, must be valued by employees; rewards that are not valued will not be sought.” (1996, p196). They state that the ramifications of this are that “...managers in general, and compensation managers in particular, need to be concerned about employee preferences for a variety of potential rewards”. (Barber & Daly, 1996, p196) They further point out that “Within a compensation program, decisions regarding the amount of resources to devote to different types of monetary should be based on how highly valued those rewards are”. (Barber and Daly, 1996, p196), something which they consider to be significantly based on culture. examined together, these papers highlight the importance of positive discrimination in reward systems, based on cultural identity and therefore ethnicity.

2.2.2 Management in Malaysia and Indonesia

According to Jomo, (1997) the most significant human resource issue facing Malaysia is that its level of skill creation is inadequate to meet the technological demand. Although good literacy; and rising rates of tertiary education are acknowledged, high levels of government spending on education have failed to rectify industry complaints regarding the lack of some skills. Jomo also points out that much of the effort has been on achieving interethnic parity in education, at the expense of overall educational development. This is an opinion supported by the data obtained in the qualitative interviews, with all Malaysian respondents being aware of educational dichotomies directed at achieving ethnic equality. Jomo does not comment directly on the management issues in Indonesia as they relate to the ethnic Chinese, but does highlight some of their past discriminatory policies towards ethnic Chinese businesses, and the ad hoc nature of their industrial policy.

Noor concludes in his paper on human resource management (HRM) in Malaysia, “...any training programme to be undertaken in Malaysia has to be sensitive to the cultural constraints observed”. (Noor, 2001, p154). Although this does not comment on the relative position of Bumiputeras and ethnic Chinese, it does emphasise the need to understand such differences, as

this is a cultural constraint of the business landscape. Again this was supported in the interviews, with several Malaysian respondents emphasising the need to differentiate between different ethnic groups in management. In comparing the tendency to generate 'material civilisation' of ethnic Chinese and Malay workers, he found no significant difference. There was no consideration of how different ethnic groups were treated from a management perspective.

Saufi, Ramayah and Manirajzi (2001), in researching the management style of Malaysian managers, do not look at ethnic identity, but their methodology contains ideas significant to this study. They used Likert and Likert's (1976) questionnaire of management style, producing conclusive results, although their response rate to the questionnaire was 29%. They concluded that Malaysian managers were quite strong in leadership and motivation. Ansari, Hung and Aafaqi (2001), in considering the fairness of HRM practices in Malaysia also do not differentiate on ethnic grounds, but find that employees are more likely to commit to an organisation if HRM practices are considered to be fair. This could have important ramifications for employees who feel they are treated different for ethnic reasons.

Of extreme significance to this research, are the conclusions of Rani and Hamid. They find that "...people of different ethnic backgrounds in Malaysia as a whole do have some differences and similarities in terms of work values that they adhere to in the workplace." They further state that "Malaysian companies, as well as foreign companies must be aware of these differences and similarities so as to further enhance company performance." (Rani & Hamid, 2001, p742). Some of these differences are that Malays are significantly more collectivist than other ethnic groups in Malaysia including ethnic Chinese, and that Malays have a significantly higher level of uncertainty avoidance. Given that differences exist, it is reasonable to assume that greater success can be achieved through a differentiation of management style for the different ethnic groups.

In a similar vein, Awadz and Hamid (2001) find that ethnic Chinese are more 'doing oriented' than Malays and that Malays have a higher sense of communal and cooperative values. This second point would appear to be in accordance with Rani and Hamid (2001) who found that Malays are more collectivist than the ethnic Chinese. Once again this paper is of significance to the research topic at hand, but once again it does not examine whether management differentiation exists.

2.3 Gaps in Literature

It is clear that the single largest block of literature relating to ethnic Chinese is with respect to Indonesia, and its experiences with discrimination and violence against the ethnic Chinese, particularly the recent race riots. The next largest block of literature of significance to this particular study, is research about Malaysia's institutionalised favouritism of, and preference towards Bumiputera Malays, be it through the granting of permits and licenses, education quotas or ownership regulations.

As mentioned earlier, a fundamental gap in all the research appears to be the lack of an ontological approach. Much literature appears to be very externally and phenomenologically based, examining the symptoms of regulations and practices that effect ethnic Chinese communities, rather than how the ethnic Chinese managers and communities themselves interact in Indonesian and Malaysian society. Peng (2000) points out that many studies in the region tend to focus on states and formal institutions. Another apparent lack in the literature is with respect to the interaction of ethnic groups within a specific country. Although ethnic Chinese and other significant ethnic groups are well considered from some perspectives, there is little focus on the interaction between the ethnic groups within specific countries. These complex and dynamic relationships are either downplayed in terms of their significance or avoided as a point of analysis.

It also appears that much of the literature either discusses Indonesia in itself or Malaysia in itself. Comparative studies of the two countries, which are highly significant players in the Southeast Asian region, of which Australia is a part, seem to be a fundamental gap in the literature. Tan, (2001, p949) states that "...the management of minority ethnic Chinese citizenry in Indonesia and Malaysia is not adequately examined in most studies". Furthermore, the Indonesian management style was researched and commented on even less than that of Malaysia.

In making investment decisions in the Southeast Asian region, comparative information would prove highly beneficial, as an opportunity cost consideration for investors. Indonesia and Malaysia, although sharing a geographic region, some of their history, much of their language and their religion, are two vastly different countries. Understanding the management ramifications of these differences is a significant issue, and one that has not been adequately addressed.

3.0 RESEARCH AND METHODOLOGY

3.1 Research Area

3.1.1 Research Questions

This research is an exploration of the assumption that there may be a difference in the degree of ethnic differentiation expressed by managers in Indonesia and Malaysia. In pursuit of this, the following primary research question is proposed:

- A.** Is there any difference in the level of constructive differentiation exhibited by managers in Indonesia and Malaysia in the management of ethnic groups?

If the data indicates that there is a difference in the level of constructive differentiation of ethnic groups exhibited by managers in Indonesia and Malaysia, the following secondary research questions will be addressed:

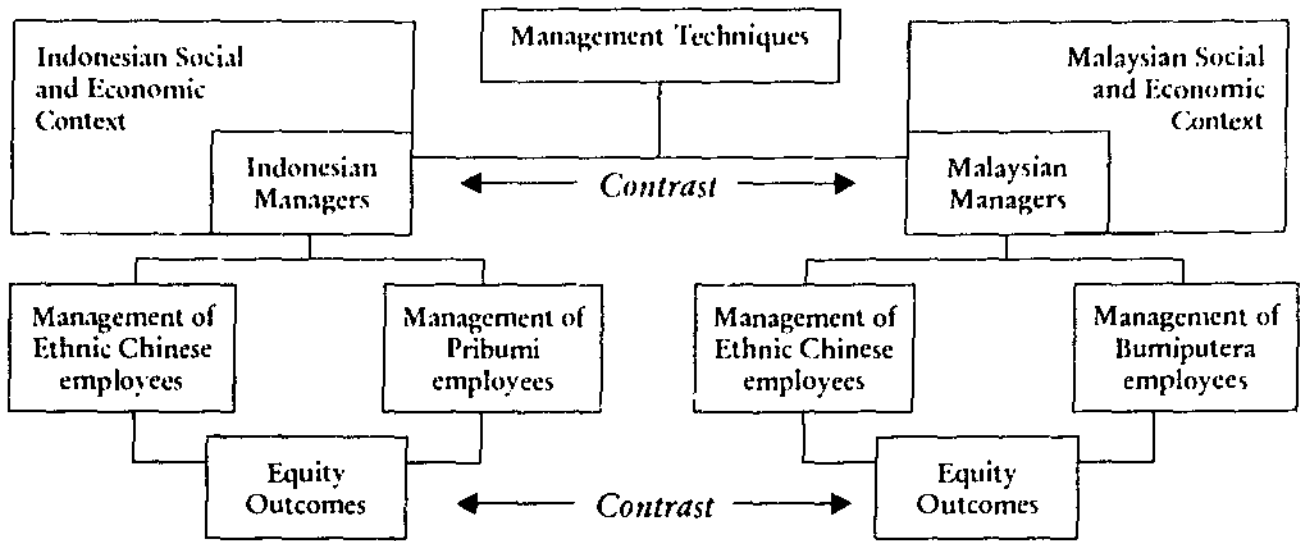
- B1.** What mediates any differences apparent in the respective management of ethnic groups in Indonesia and Malaysia?
- B2.** What are the implications of any differences for management and business in Indonesia and Malaysia?

3.1.2 Research Problem

The principle research problem is to understand the differences in the way employers manage their multi-ethnic workforces in Indonesia, where there is a low degree of assimilation, and Malaysia, where there is a higher degree of assimilation. The research attempts to identify the different wants and needs for native Indonesians and Malaysians, or Pribumis and Bumiputeras as they are known, and the ethnic Chinese communities, as well as comparing the degree of differentiation in the two countries.

Diagram 3.1 below clearly demonstrates where and how these comparisons take place. It should be noted that within each country, there will be a selection of managers that reflects the ethnic diversity of each country, including managers who are Pribumi, Bumiputera, ethnic Chinese and other minority groups.

Diagram 3.1 – Areas of Comparison



3.1.3 Research Purpose

Understanding how different regimes motivate their workers, in the context of their economic and social environment, will highlight which practices are more successful. Ethnic Chinese are an enormous source of capital in Southeast Asia, and the native workers are an enormous source of labour. Ethnic Chinese in Southeast Asia had assets of US\$1.5 trillion, and owned businesses valued at \$675 billion in 1994. (Chang, 2000). Knowledge of the best ways to manage distinct ethnic groups will be beneficial in doing business with these groups, and in these countries. As pointed out by Ram (1999) there is a significant difference in work practices relating to ethnicity, and identifies ethnic Chinese as having a particularly high rate of self-employment.

3.1.4 Significance

Southeast Asia, despite the Asian economic crisis, is a rapidly emerging market with very high levels of economic growth. Markets in Asia are growing at very high rates in comparison to many other regions around the world. Their incredible potential value as a market, combined with their location as Australia's northern neighbour, makes them a very important region for the Australian business market. It has already been shown that both Indonesia and Malaysia are important trading partners for Australia and that their economies are growing at significant rates. (CIA, 2001a & 2001b)

The strong economic presence of the ethnic Chinese is undeniable, with figure 1 demonstrating their economic power having already been detailed. A deeper understanding of another aspect of the principle ethnic groups in Malaysia, one of the biggest economies in Southeast Asia and Indonesia, the third most populous nation in the world will be highly beneficial from a business perspective. A comparative study of management techniques, in the context of a powerful ethnic group in these two countries will provide valuable insight to potential investors.

Today, virtually all multi-national corporations (MNC's) have significant operations in the Asia Pacific region, including Southeast Asia (Mahoney, Trigg Griffin & Pustay, 1998). As the preferred market entry strategies are Foreign Direct Investment (FDI) and Joint Ventures (JV), knowledge of where the regions wealth is concentrated and an understanding of human resource issues from an ethnic perspective will prove invaluable.

This research is also highly significant when considered in the light of the lack of certain relevant literature, as detailed in *Section 2.3*. The present lack of data dealing with the management of ethnic groups in Indonesia and the lack of comparative data involving Indonesia and Malaysia is a significant gap in existing knowledge. This research is significant in its attempt to partially rectify that absence of data, within certain limitations. *Section 2.2.1* however, presents some literature emphasising the importance of understanding cultural differences in management, further contributing to the significance of this research.

3.1.5 Assumptions

It is important to note that in completing this research a number of assumptions have been made. These are:

- Managers in organisations are positioned by existing wider societal relations in their respective countries,
- Respondents are, within the scope of the research, representative of managers in their respective countries.

3.2 Methodology

3.2.1 Approach

The approach to this research is principally exploratory, largely considering the situation that exists with respect to management of different ethnic groups in Indonesia and Malaysia, but also explaining why some of the differences exist, particularly in the context of government ethnic policies and attitudes. The research attempts to explain why there is and needs to be a different motivation of different ethnic groups within one organisation, and to what extent and why the two countries are different in this regard. This relates directly to the research questions which seeks to establish whether one country differentiates more successfully and positively between its ethnic groups in business than the other.

Research undertaken was largely of a qualitative nature. Qualitative research is generally considered to be highly appropriate for issues where ethnological differences exist, (Hussey & Hussey, 1997), although the international nature produced some difficulties for the administration of qualitative interviews. Qualitative research has enabled in depth analysis of the emotional context of the ethnological environment that surrounds this research question. The semi structured interviews also provided the flexibility necessary to explore diverse avenues, while still maintaining some consistency from interviewee to interviewee. Quantitative research was not undertaken because it is less suited to an ethnographic research topic (Hussey & Hussey, 1997) and severe time constraints, magnified by the international aspect of the research make it less suitable.

Interviewees were approached very carefully, as some of the questions were of a politically sensitive nature, particularly those relating to government attitudes and policies to different ethnic groups. This issue has been more fully considered in the limitations. To facilitate a more open and cooperative approach from the interview subjects, the research was presented as a preliminary investigation to a doctoral thesis. Honours research is generally less well regarded in the business community and interviewees would be less responsive if approached in that way.

3.2.2 Sampling

Sampling was largely by convenience. The corporate entities that were eventually incorporated into the research were those in which targets for the research could be easily identified. Although this does not conform to the random sampling ideal, a convenient sample is not likely to inappropriately skew the data. It may have skewed the data toward larger and therefore more visible organisations, but if this has any effect it will be to make any differences clearer. A larger corporation is probably more likely to make a rational motivational distinction between different ethnic groups. It may also have skewed the data towards companies that have an international leaning.

A total of ten interviews were conducted, with five Malaysian managers and five Indonesian managers as demonstrated in *Diagram 3.2* below. An important issue to note will be the ethnicity of the managers themselves, as well as their treatment of different ethnic groups. An attempt has been made to achieve some balance in terms of the ethnicity of the managers and the relevant details of this will be considered in the final analysis of the data. Although there was no intention of critically comparing the management practices of the ethnic Chinese managers and the native managers within a specific country, a mixture helped to ensure that any factors of bias were removed. The method of sampling and the number of interviews do impose limitations upon the research, these are more fully dealt with in *Section 3.2.6*.

Diagram 3.2 – Origin of Interview Subjects

	Malaysian Based	Indonesian Based
Number of Managers Interviewed	5 interviews	5 interviews

3.2.3 Primary Data Collection

As already specified, data was collected though interviews targeted at managers and senior managers in corporations with ethnically mixed workforces. The interviews included questions targeted at establishing organisational context, and incorporated questions to see what

management techniques are in use. Other questions were directed at the cultural and political environment surrounding the managers. More subjects for interview were initially identified than were eventually needed as insurance against respondents that were inappropriate or inadequate to the demands of the research topic. This technique ensured that an adequate number of quality interviews were held after two respondents failed to be available at their appointed time.

The highly verbose nature of the research data ensured that it was difficult to record the responses of the interviewees on paper. Where the interviewees were willing, tape recordings were used to record the responses. This had the added benefit of not only recording what was said, but also recording the tone of the response, which in some cases gave more insight to the meaning. Conversely, it may have led interviewees to be more guarded in their responses and two subjects requested that their responses not be recorded, other than on paper. These two interviews were somewhat more tedious and drawn out, but valuable data was still obtained.

Provision was made to have individuals present who could translate some of the more difficult concepts in to different languages including Indonesian, Malaysian, Mandarin and Cantonese. Another object of this was also to help to eliminate any misunderstanding of the questions, and to ensure that responses are as practical and relevant as possible. Ultimately it was possible to select managers that had a sound or excellent grasp of English and no translation was necessary, although some of the more difficult concepts had to be carefully explained before an answer could be given.

For the sake of convenience it was hoped that interviews could be conducted with managers who had previously worked in Malaysia and Indonesia but were now based in Perth. Such individuals proved difficult to identify and this problem was eventually solved when a Perth business donated the use of its telephones for international communication. All interviews were conducted with subjects based in Indonesia and Malaysia, which was ultimately the ideal method as managers based in Perth may have been influenced by their time here.

3.2.4 Primary Data Analysis

The qualitative research data obtained was initially codified to facilitate the subsequent data analysis. Data was principally be analysed in the context of *Diagram 3.1*, to contrast the

different management of ethnic groups in Indonesia and Malaysia, as detailed in *Section 4* and *Section 5* respectively. These differences were then critically evaluated in terms of political, legal and cultural context, and current management theory including issues of valence as described by Bartol, Martin, Tein and Matthews (1998) to determine which managers, as a general rule, differentiate more productively and positively. Critical comparisons are presented in *Section 6* and conclusions are drawn in *Section 7*.

The differences between the practices in Indonesia and Malaysia were analysed in a number of contexts. It was pertinent to consider results in relation to historical and cultural differences between the two countries, and the cultural and religious differences between the native ethnic groups and the ethnic Chinese in each country. Differences were then analysed as themselves being factors in the different economic success and stability of Indonesia and Malaysia.

Some of the more basic demographic data obtained has been presented in a tabular form and can be seen in *Table 4.1* and *Table 5.1*, to facilitate critical comparison. More complex data including themes and attitudes will be analysed in the context of these cultural and demographic background factors in significant detail.

Data tables also include a parameter for 'keenness to respond'. It was observed during interviews through the length and detail of answers given by different respondents, as well as tone of voice, that some answered more openly than others did. This has been encoded into data tables with number one (1) indicating a reluctance to be completely open, and number two (2) indicating an apparent willingness to communicate openly. This is not a guarantee as to the veracity and completeness of information, but gives some indication within the limits of the interview. In the event of a conflict in data given by a (1) rated respondent and a (2) rated respondent, with all other factors being equal, the (2) rated respondent will be considered more significant.

3.2.5 Interview Questions

As part of the semi-structured style of the research interviews, there were a number of established questions, which were asked of each interviewee. Although issues raised by the responses of individual respondents were pursued to form a deeper understanding of the context, some consistency was considered important to enable legitimate comparisons. Interview

questions were designed to assess the approach of the respondents to a number of managerial functions including motivation and their perception of the existence and role of ethnic differences in the workplace. Other questions were designed to assess the broader social and political environment in which these managers and employees exist. Questions were based around the following issues.

- Ethnic identity in the workplace
- Management approaches to different ethnic groups
- Management attitudes to, and perceptions of ethnic issues
- Motivation of different ethnic groups
- Management of ethnic groups in the context of broader society
- Limitations to education and employment
- Political and cultural issues, and their impact on management style
- The relevance of politics and government to people
- Globalisation issues and Knowledge Management issues

A full list of the questions asked during the interviews has been included as Appendix 1.

3.2.6 Internal Limitations

There were several limitations in conducting this research, and each can be considered to be internal or external. They are detailed as follows, along with the methods that were used to ameliorate their effects, as well as the success of these methods.

3.2.6.1 Convenient sampling

As discussed earlier, the convenient sampling that has been used in this research is less preferable to truly random sampling. The negative effects of this were minimised by seeking diverse sources of interviewees, generally from different organisations, sometimes from different regions of their respective countries and often people with little or no social contact with each other.

3.2.6.2 *Smaller sample than in quantitative research*

In doing qualitative research, samples are necessarily smaller than they would be in quantitative research. This has the effect of giving a final picture that is somewhat less broad than it would be in quantitative research. However, as the flexibility of semi-structured interviews allows different ideas to be explored, while maintaining some consistency, greater depth can be achieved. Although some breadth is sacrificed, depth is gained and as mentioned earlier, qualitative research is more suited to ethnographic studies because of its in depth nature.

3.2.6.3 *Literature Review*

As detailed in *Section 2.3*, the literature for this research is somewhat lacking. Very little comparative data between the countries in question or the ethnic groups within those countries was available. The information that was available did not have a strong emphasis on the managerial perspective, particularly in consideration of Indonesia. This lack of literature dictated the need for primary research, involving managers of different ethnic groups in both Indonesia and Malaysia. Furthermore, this lack of literature emphasises the significance and value of the research, as the field currently lacks knowledge in some areas.

3.2.7 **External Limitations**

3.2.7.1 *Language*

Language difficulties have already been discussed above as potential issues in the research. Although personal contacts were approached and arranged to be on hand in the event of language difficulties, it was fortunate that in the end these difficulties were completely avoided through the use of respondents with a fair to excellent knowledge of English.

3.2.7.2 *Time*

Time constraints were an unavoidable issue as in any research project. Where possible, menial tasks such as hand written notes during interviews were minimised. This particular task was avoided through the use of a tape recorder in eight of the ten interviews.

3.2.7.3 *Concerns with confidentiality*

It was expected that in some interviews the subjects would be unwilling to discuss various government or corporate policies with respect to different ethnic groups. This is quite understandable in the light of the potential results of it being known that the information was shared. As discussed previously, it is illegal in Malaysia to discuss the selective nature of certain sections of the Malaysian Constitution and the penalties can be severe. To help alleviate the concerns that relate to these issues, each interviewee was assured verbally, and if necessary through a written agreement that all information was entirely confidential. This resulted in only two subjects requesting that only written notes be taken.

A copy of the confidentiality agreement has been included as Appendix 2

4.0 INDONESIAN RESPONDENTS

This section and *Section 5* on Malaysian analysis, contains the data obtained in all research interviews categorised according to respondent. Both chapters then go on to analyse the data in an attempt to make generalisations about the responses from each country. The data consists of responses to all the questions put to the interview subjects, designed to assess their attitudes towards different ethnic groups as managers, and their treatment of those ethnic groups. Other questions were directed at obtaining data regarding the broader societal and governmental context in which these managers operate. The data must be considered within the limits detailed in *Section 2.2.6* and *Section 2.2.7*, including sampling method and sample size.

4.1 Results

4.1.1 Indonesian Demographics

Table 4.1 below, presents some of the demographics of the interview respondents that are relevant to the research topic. It compares the different ethnic and geographical backgrounds of the respondents and the size and industry of their respective organisations as well as detailing the qualifications and experience of the managers. It provides a useful tool for contextualising the data responses obtained and for comparing specific respondents to the other respondents.

Table 4.1 – Demographics of Indonesian Respondents

	Indon1	Indon2	Indon3	Indon4	Indon5
Ethnicity	Pribumi/ Chinese	Pribumi	Chinese	Pribumi	Australian/ Pribumi
Residency	Jakarta	Jakarta	Bali	Jakarta	Jakarta
Qualifications	Masters in Finance	2 nd degree in Marketing	Bachelor in Accounting	Bachelor of Business	Honours in Business, Grad Dip
Experience	7 years as manager	Manager/ director for 6 years	8 years as manager	3 years as a senior manager	5.5 years as manager

Size of organisation	10 full time staff	70 full time	650 full time and casual	60 full time	75 full time
Industry	Managem't & Finance	Education Services	Hotel	Imports and exports	Education Services
Number of subordinates	10	70	10	60	21
Sex of respondent	Male	Male	Male	Male	Female
Keeness to respond	1	2	1	1	2
Tape of Interview	Yes	Yes	Yes	No	Yes

4.1.2 Indonesian Respondents

4.1.2.1 *Indonesian Respondent 1 (Indon1)*

As indicated above, Indon1 was a somewhat reluctant respondent. Although an attempt was made to answer each question, details and examples were not granted freely and were only obtained through more persistent questioning

The respondents' workplace has a staff of six Pribumi and four ethnic Chinese. Culture is expressed particularly through different habits and communication. The respondent suggested that ethnic differences were less pronounced in Jakarta than in other parts of Indonesia.

The issue of trust was raised in respect to different ethnic groups, with the suggestion that there was sometimes less trust with some groups but the respondent chose not to elaborate on this. It was also put forward that all managers were appreciative of ethnic differences in Indonesia. Conflict has been experienced in the work place stemming from differences of perception and 'hurt feelings'. This is dealt with by talking with the individuals in conflict together. Different ethnic groups are seen as a positive contribution to the workplace.

After a significant pause, the respondent said that ethnic groups were not dealt with differently according to ethnicity, only according to individual ability. When asked if different ethnic groups were of different ability, it was agreed that this was the case. This suggests that the different treatment of individuals is at least partly based on the ethnicity of that individual. The respondent said this stems from a different attitude towards work amongst the different ethnic

groups but this was something "...we try to change". He was unwilling to clarify which group had a better or worse attitude towards work.

The respondent agreed that different ethnic groups should be motivated in different ways, suggesting that some would respond better to appreciation and others to financial reward. However, this was not the practice in his workplace and the organisation apparently has no policy to differentiate between groups in this way.

The respondent believed that Indonesian society treated different ethnic groups differently, and when asked for an example he began to speak of different Pribumi groups from different islands, not of ethnic Chinese or other non-Pribumi groups. In terms of government attitudes to ethnic groups he said that he was "not clear on that one" if it had different attitudes towards different people. He did say that there had been a large improvement since 1998 and especially 2000 after the ethnic rioting.

In terms of access to education generally, the respondent said there was no limitation for any ethnic groups. When asked specifically about education he said that the Universities in Indonesia accepted the best students, and when pressed further he said he was "not clear" on whether there was an ethnic quota system, even though he has previously worked in the education industry.

Employment, the respondent suggested was accessible to all ethnic groups but sometimes there were decisions "based on morality". His only elaboration on this point was that there are different moralities in Indonesia. Entrepreneurialism is apparently open to everyone except people who can't get credit, suggesting a purely economic distinction.

When asked about political, legal and global issues and their impact on management of ethnic groups, he responded "No, there is no such thing like that". At this time he pointed out that the government had not yet decided if it would allow a Chinese New Year celebration in 2002 and that the company would be affected in terms of holidays.

Upon being asked if any groups were disenfranchised by government and politics, the respondent said that things were getting more and more equal, but stopped short of conceding that things were worse in the past, even though this is explicit in his response.

Globalisation, he pointed out, will have both a negative and a positive side. He believed that although people would become better trained and industry would be more competitive, the pace of globalisation was too fast and there was not enough time for preparation. He was unclear of any relationship between ethnic groups and globalisation.

It is worth noting at this point, that respondents were not supplied with a definition of globalisation, within which to consider their answers. Each was allowed to interpret globalisation in his or her own way. Respondents generally appeared to see globalisation as a combination of technological and trade oriented factors including improved telecommunications, reduced tariffs and increased international and domestic competition. This was true of both Indonesian and Malaysian respondents.

4.1.2.2 *Indonesian Respondent 2 (Indon2)*

This respondent was much more open in his responses and was often quite critical of the Soeharto regime.

The much larger workforce that Indon2 is responsible for consists of 70 people, around 70 percent of which are Pribumi, 20 percent of which are ethnic Chinese, and ten percent others including Indian. The workplace has a strong sense of ethnic identity with ethnic Chinese and Pribumi eating their meals separately most of the time. The management position is that "...we tolerate a lot" and he pushes the idea of "working together".

Management is acutely aware of some of the ramifications of these ethnic differences, with the suggestions that Pribumi employees tend to come to work late. The Chinese by contrast come on time and "... behave very differently because they are [a] minority. And they are also demanding a lot of things". The second part of this comment is directed at the career-oriented nature of the ethnic Chinese, and their strong desire to earn money. The respondent feels that there are advantages and disadvantages to having a mixed work place, the disadvantages tended to orient around the economic differences between the groups. The positive side is that the different ethnic groups can learn from each other.

The respondent says that in the workplace there is no formal written policy to deal with ethnic groups differently, only in an informal sense. This usually manifests itself in the disciplinary sense, with the respondent reiterating that the Pribumi employees do not come on time. Furthermore he states that Pribumi often will not turn up to work if there is a family event on, whereas the ethnic Chinese turn up regardless. The response seems to be more a repetition of the differences between ethnic groups rather than details of a differing ethnic management policy.

The respondent initially responded to questions of ethnic motivation saying that they should be motivated differently. As an example of this however, he focussed on the differing internal motivations of the different groups rather than his techniques as a manager. When redirected, he was not able to give an example of how he motivated different ethnic groups differently. He suggested that a strong internal motivation for the Pribumi was that they would work hard so that "God will be happy". On the other hand he suggested that "...the Chinese, they don't care [about God]". The organisation has no formal structures to differentiate in motivation.

In response to questions about the attitude of broader Indonesian society, the respondent suggested that there was a general feeling that different ethnic groups should be treated differently. However, in line with previous comments this appeared to be firmly based on stereotypes, with people from different Indonesian islands apparently having different attitudes, physical characteristics and work ethics. The respondents' attempts to make ethnic differentiation seemed to be more to establish better ways to exploit the workers in the short term based on stereotypes, rather than better ways to motivate them. The respondent was adamant that the government, in the past, did not understand the cultures of the people, including in reference to ethnicity. He suggested that under President Soeharto (1961-1999) if people went on strike or rioted the government would use an iron hand and "...the army would come down and shoot them [the workers]" regardless of ethnic background although he stresses that this has changed since 1998. The change has largely been for the government to take a 'hands off' approach rather than now taking a proactive response.

When asked if there was a difference in education opportunities according to ethnicity he responded "Oh ya [sic], of course". He then stated the difference as being that the Pribumi with no money would send their children to Government schools, and the richer Chinese would send their children overseas to study. This constitutes largely a case of inequality of outcome, rather

than an inequality of opportunity. He further emphasises that education is not well taken care of for anyone in Indonesia and the ethnic Chinese want a quality education. In terms of University, he says; the Chinese effectively can not enter.

On employment the respondent said that it is easier for Javanese people to gain employment than any other Pribumi group as Javanese are "more loyal and cause less trouble", another tribal stereotype, but possibly a common one. The respondent said that finding employment was easiest for the Chinese as they were more disciplined, own most of the businesses and all the rich people are Chinese. He believes that many Indonesians resent the Chinese as the Chinese own 60 percent of Indonesian businesses and this is why they become targets during riots. He also alleges that Chinese are able to succeed because they take advantage of the corrupt nature of the Government officials. In entrepreneurial ventures, he says, Chinese are always advantaged as they have greater wealth.

The respondent indicated that there are some legal issues impacting on his organisation, including the need for education oriented ventures to have special permission. This is not a problem as far as he is concerned as he "...has money to pay this". Indonesia does have laws relating to equality in the work place, but he claims that they are never policed or enforced. Under Soeharto, he further states, it was not possible for Chinese to enter the public service, although this policy was never in writing. The respondent made some general comments about the lawlessness that exists in Indonesia at present, particularly in the business sector.

When asked if government policies towards ethnic groups the respondent said this was "now not too strong" and the Chinese are now allowed to have Chinese names, where as this was not the case before. Where as there were feelings of disenfranchisement under what he describes as the segregationist regime of Soeharto, this is no longer the case, particularly that there is now representation of all ethnic groups in politics. He further stated that in Indonesia you could do anything if you have money due to the endemic corruption.

In commenting on globalisation, the respondent believes that it will have a very positive effect for ethnic groups, and there will be more diversity and understanding. He also believes that globalisation is an inevitable process to which "Indonesia can not close its doors". He believes

that globalisation will bring about an end of the current policy preventing competition in the education sector in Indonesia.

4.1.2.3 *Indonesian Respondent 3 (Indon3)*

The third Indonesian respondent is based in Bali, and as well as giving the following responses he felt that Bali had experienced very different events in relation to racial unrest than other areas. He believes Bali has been somewhat insulated from many of these events, as it is a very different place to Jakarta. The respondent was very reluctant, particularly with questions of a political nature.

Of the 650 full time and casual staff employed by the organisation where this respondent manages a department of ten people, approximately five percent are ethnic Chinese. The other 95 percent are mostly Pribumi from different islands. The respondent believes that there is no sense of ethnic identity in workplaces in Bali where he is based, or large cities such as Jakarta.

The respondent feels that managers would not notice any ethnic differences in the workplaces, differences are only manifest in smaller family run businesses, not larger businesses such as the hotel where he works.

When asked if managers would deal with ethnic groups in different ways, the respondent was clear in stating that neither he nor other managers that would deal with anyone differently based on ethnicity. He did however make some reference to the many religions that are present in Bali and the various religious festivals that relate to this. He stated that there was no company policy in relation to ethnic organisations

When specific differences between different ethnic groups were put to the respondent, he agreed with some reluctance that there were differences. When then asked if these differences meant that different motivational techniques should be used he maintained that they are, and should all be treated the same.

The respondent also did not think that the broader Indonesian society saw differences between ethnic groups from a management perspective. On the issue of government he said that things

now were “much much different than when I was a child” and that government treated everyone the same, except maybe in some small towns.

Education opportunities for the ethnic Chinese, the respondent said, were largely economic and that he had to pay more than Pribumi people do to attend university. He agreed that this was because ethnic Chinese could not get into the public universities very easily.

The respondent said that any difficulties for people entering the work place or climbing the corporate ladder were based purely on the characteristics of that individual, not on any ethnic grounds. He was clear that there were no barriers when it came to entrepreneurialism.

According to the respondent, there are no political, legal or cultural issues that really impact on his style of management in any way, including management of ethnic groups. His response however did seem considerably guarded.

In consideration of the ethnic Chinese and their role in government the respondent said “Basically the Chinese here, they no want to [be] involved”. He continued that the reason for this is that “they are more interested in business”, but again seemed quite guarded in his response.

The respondent believed that Indonesia would probably not experience globalisation as soon as its neighbours, as the neighbours are more politically stable and economically advanced. When asked if globalisation would be a positive or negative experience, an answer that would seem to contradict previous answers came through. The respondent said that globalisation would bring a new era “to open their eyes more’ from an ethnic perspective. This appears to reveal an underlying concern of serious ethnic issues, that he was otherwise unwilling to raise.

4.1.2.4 *Indonesian Respondent 4 (Indon4)*

Indon4 is the Bumiputera manager of a medium sized family business in imports and exports. He seemed somewhat reluctant to be available at scheduled interview time and to answer the questions put to him. During the interview he was slow to respond, but his responses eventually showed considerable candor, as they were not always indicative of sound management practices.

The respondent said that there was little expression of ethnic identity in his work place, which consists of approximately 20 percent ethnic Chinese, 30 to 40 percent Javanese and the remainder from other islands. He was not aware of differences in eating habits or perception, but made an interesting comment about language. "We do not allow the Chinese people to speak other [languages] because we need to know what is being saying [sic]". He said differences in religious festivities were apparent but that was not really allowed in the workplace.

Although the respondent said that they were aware of the ethnic differences and that they "cause no problems, we are on top of it", his previous responses suggest a lack of tolerance for ethnic expression in the workplace. He did not know if ethnic differences had a positive or negative effect on the harmony of the success of the organisation, but felt that they made it more difficult to achieve harmony at work.

When asked if they treated different ethnic groups differently, the respondent said that everyone was treated the same. He said "Everyone is treated the same, that is why we all speak one language at work. It shows we are the same". This clearly ignores the fact that some people are able to speak their preferred language and others speak the language they are told to speak, whether they prefer to or not.

In the motivation of ethnic groups the manager said that there is sometimes a different pay level. "Sometimes we pay the others [from other islands] less because generally they are quite poor and do not need so much money." There were no other ways in which differentiation between ethnic groups is shown, and this technique appears to be directed at a healthy bottom line rather than looking for positive techniques to improve productivity. The respondent said there was no formal organisational policy with respect to management or motivation of ethnic groups, but there is clearly some differentiation from a management and human resources perspective.

When asked if Indonesian society in general felt that different ethnic groups should be managed differently he responded. "I can not speak for others but I think the answer would be yes". He said that it does not make "...good business sense" to treat everyone the same, and again talked about paying poorer people less money because "...they tend to be more lazier [sic]". He said

that government does not treat everyone the same as the government "...has a responsibility to look after the Pribumi because they are the first people here."

The respondent was not aware of any education policy that advantaged or disadvantaged any ethnic groups. He personally was educated overseas and does not yet have children, so is not really interested or aware of the existing situation. He said that he was quite sure everyone could get an education if they are not too lazy.

He did not believe there were barriers to employment based on ethnicity, and cited his workplace as an example. "Here we have Chinese, we have Javanese, we have Sumatran, anyone who is willing to work can get a job." He felt that when it came to climbing the corporate ladder it would depend on the workplace, saying "...a Chinese will promote Chinese and a Pribumi will promote Pribumi, that is normal." When it came to entrepreneurialism he said that the ethnic Chinese had a clear advantage as they generally had more money and money is essential for starting a new business.

The respondent did not feel that political or legal issues had a major impact on his management style generally, or in respect to ethnic groups. His attitude towards cultural influences had been more than clearly shown in previous answers given. He made reference to the corruption in Indonesia saying "If you have money, the Government is your friend, but if you do not have [money] then it can be more difficult."

The respondent did not feel that many people paid attention to government and politics and that it therefore had little impact on them. He said that no one really had a right to feel disenfranchised from government and politics in Indonesia as people had everything they needed from government. He elaborated by saying that the Chinese have plenty of money and the Pribumi have political power and greater numbers.

Given that the respondents' organisation is importing and exporting, it is perhaps not overly surprising that he was overwhelmingly positive about globalisation, particularly the extra trade opportunities it would bring. He did not believe that it would have any effect on ethnic groups and management as he believed globalisation was all about money, free trade and telecommunication, not really about "...internal company issues".

4.1.2.5 *Indonesian Respondent 5 (Indon5)*

The only Indonesian female respondent, Indon5 is of a mixed ethnic background being part Australian and part Pribumi. Although born in Australia, she is a citizen of Indonesia and is fluent in Bahasa Indonesia as well as English. Although initially quite guarded she slowly became very open and cooperative in her responses.

Currently in the respondents workplace there are only 'one or two' ethnic Chinese out of 21 staff in her office, with the remainder being Pribumi. Ethnic identity is not openly expressed in the workplace, but apparently if there is a vacancy, the respondent is often approached by the Pribumi staff and told "I think you should get a Pribumi for this position rather than a Chinese". Otherwise "Indonesians try to hide the fact that there is any discrimination or feeling of...racist feelings". The respondent feels that there is definitely a latent tension present in the workplace, and this can be strongly seen around Muslim fasting time when the Pribumi staff do not eat, but the Chinese still have a full meal at lunch time.

In dealing with tension the respondent says, "I don't like to actually make a big thing of any tension which I believe to be ethnic based". However, she will confront people who suggest that vacancies be filled by a Pribumi rather than a Chinese and ask their reasons although answers tend to be evasive. All staff apparently "enjoy the goodies" of different religious holidays that come with a multi-religious workforce.

Other than the confrontational approach already mentioned, the respondent emphasises that she is careful never to show favouritism based on ethnicity, and "...everyone gets the same sort of treatment". She also emphasises that she maintains a very egalitarian and equal opportunity work environment although she admits that this is a somewhat radical approach Indonesia. When asked if other managers would treat different groups in different ways in a negative sense, she said that many would, but "I don't think you'll find any that will admit to it". She was unable express a good example of positive differentiation.

The respondent said that no organisational policy exists to govern the management or motivation of ethnic groups, and nothing is done informally in this sense. She suggested that all Indonesians

are in need of motivation as people in Indonesia are not "self starters", and they expect wealth to "fall in to their lap".

The respondent shared an anecdote where a hired driver at her workplace said that she should not have been hired because she was a woman and did not look like a Pribumi and that fact "would not go down well with government officials". The respondent also said that many Pribumi would answer my questions by saying bad things about the Chinese, such as they are greedy; and many Chinese would tell me that the Pribumi are "not too bright". She then suggested that maybe many of them would not reveal these feelings as they "want to fit in" ethnically. The respondent also suggested that people are less resentful of the Chinese since the economic crisis as many of the people hurt by the crisis were the upper middle class Chinese.

Any limits towards education, according to the respondent, only occur on the basis of regional differences, whereby the more isolated people have difficulty accessing education. The respondent says that approximately 60,000 out of 500,000 students who sit university entrance exams get in and "I can bet you if you've got a Chinese name down there its going to be harder for you to get in"

The respondent claims that officially there is no difference in employment opportunities for any ethnic groups but there will tend to be unwritten policies favouring one group or another according to sector and ownership. The respondent suggests that 35 percent of private companies are Chinese, in contrast with Indon2 who gave the figure of 60 percent, and that it may be easier for Chinese to get in to them. In an entrepreneurial sense, the respondent says that there is no ethnic advantage, although the wealthier Chinese have more capital to invest.

The respondent said that sometimes a Chinese owned business would employ some Pribumi people in high positions in order to "gain favour with government" and that a completely Chinese company would not get any government contracts, although this was an unwritten policy.

The respondent also pointed out that in the 1960's, "the government decreed that no Chinese names were allowed" and that also no one was allowed to speak Chinese under the order of

Soeharto. Now however, there is a Chinese person in cabinet and there are more opportunities for ethnic minorities since 1998, and greater tolerance expressed by government.

Globalisation, the respondent feels, will not have a great effect in Indonesia except in terms of greater education and training, but that the effects will be definitely positive. From an ethnic perspective, she feels that things will improve under this process.

4.2 Interpretation

4.2.1 Strengths of the Indonesian Approach

Indonesia is somewhat successful in its management of ethnic groups, as there is some awareness of ethnic differences, and a general acceptance of those differences. Indon1 identified perception as an ethnic difference between the Pribumi and the ethnic Chinese in Indonesia. Other respondents identified differences such as religious holidays, food habits and socialisation.

Although there is room for improvement, treatment of ethnic groups in Indonesian workplaces is generally quite good. Several respondents, including Indon3 and Indon5 were clear in stating that they did not treat different ethnic groups differently. Indon5 said, “everyone gets the same sort of treatment” and stressed the egalitarian nature of her workplace, although she conceded that it was quite radical in its approach. Indon1 said that he differentiated between his employees not on an ethnic basis, but on an individual basis.

Most Indonesian respondents were of the feeling that there was no system of preferential hiring in Indonesia, with Indon2 being one of the exceptions. Indon2 believed it was easier for Javanese to gain employment over any other ethnic group as they are “more loyal and cause less trouble”. Indon4, although saying that his organisation did not discriminate, admitted at another point that they liked to hire certain groups for cheaper labour. Generally however, there seemed to be a consensus that opportunities were relatively equal in the private sector

Indonesia represents an incredibly complex social and cultural environment, with a more complex ethnic situation than Malaysia. Several respondents made reference to a number of different Pribumi ethnic groups, and alluded to the stereotypes that are associated with each of them. Any success in such a complex and dynamic environment is a noteworthy strength.

4.2.2 Weaknesses of the Indonesian Approach

Although most of the respondents felt they were aware of the ethnic differences that existed in Indonesian workplaces, this was not true of all of them. Indon3 did not believe that there was any sense of ethnic identity in his workplace, and had difficulty acknowledging that any

differences existed. Indon4 was aware of ethnic differences, but felt that they had a negative effect on the harmony of his workplace.

The lack of harmony in that particular workplace is not surprising in the light of other comments made by Indon4. He said, “we do not allow the Chinese people to speak other languages” and in reference to ethnic differences he said “they cause no problems, we are on top of it”. Coupled with the selective hiring practices of this workplace, there seems to be an unofficial policy of suppressing ethnic identity and pursuing cheap labour. Indon4 also justified paying poorer people less money with the comment “they tend to be more lazier”.

A university entry quota system exists in Indonesia, as four out of five Indonesian respondents were aware. Respondent Indon5 however, who is in the education services industry, pointed out that this was an unofficial system, and as written the policy was on the basis of regional support. She also said “I can bet if you’ve got a Chinese name down there its going to be harder for you to get in. The result of this system, according to Indon3 is that ethnic Chinese have to pay more to get in to education, an allusion to corruption. According to Indon5, many of the problems with education stem from the fact that there are generally 60,000 places per year, and 500,000 students who sit the exam.

As mentioned earlier, there was a strong tendency amongst the Indonesian managers interviewed to treat all employees the same, regardless of ethnicity, and in one case, some individual differentiation. However, two managers also showed evidence of negative differentiation based on ethnicity. As already discussed, Indon4 manages a workplace that differentiates between ethnic groups in terms of their pay, in an exploitative manner. He also said “Everyone is treated the same, that is why we all speak one language [Indonesian] at work”. He seemed unaware of how this constituted negative differentiation in a multi-ethnic workplace. Indon2 said that in his workplace, Pribumi are motivated through being told that their good work will make God happy, but this did not work for the Chinese. This form of differentiation seems exploitative, and therefore negative.

Managers in Indonesian society can indulge in practices such as discriminatory hiring, because as far as managers are aware, there are no laws against it. Although most of the respondents claimed they did not indulge in this practice, Indon4 spoke quite openly about how it was done in

his workplace. Other respondents, such as Indon5 said that it was easier for Chinese to gain employment as the Chinese owned 35 to 60 percent of business would prefer to hire ethnic Chinese. This opinion was apparently supported by Indon4 who said "...a Chinese will promote Chinese and a Pribumi will promote Pribumi, that is normal".

Although all were asked if their organisations had any formal ethnic policies, whether positive in nature or negative, to deal with management or motivation of ethnic groups, none responded affirmatively. The only instance of formal ethnic differentiation was the negative differentiation in reward system offered by the workplace of Indon4.

4.2.3 The Workplace in the Context of Broader Society

Understanding the broader context in which these ethnic issues exist, helps to explain why managers in Indonesia take an approach which does not allow for the identified differences between ethnic groups. Given the unstable political and ethnic nature of the recent history of Indonesia, a lack of ethnic understanding is somewhat more understandable.

It is significant that when asked about political and legal issues based on ethnic management, no Indonesian respondents could think of any. Indon1 responded to the question saying "No, there is no such thing like that." And by pointing out that the government had not decided whether to let the 2002 Chinese New Year celebrations to proceed. Former government policies of forced assimilation were also clear in Indon5's assertion that "the government decreed that no Chinese names were allowed" under President Soeharto.

Several respondents however, including Indon5, suggested that this has improved since the riots of 1998 and the subsequent change in government and policy approach. Indon5 pointed out that there is now a Chinese person in Cabinet, and Indon1 referred to the improvements in government attitudes to ethnic groups since 1998 and 2000. Although there is strong ethnic stereotyping in Indonesia, as demonstrated by Indon2 and Indon4, there appears to be a growing tolerance in the post 1998 period. Clearly some resentment still remains below the surface as Indon5 said, "Indonesians try to hide the fact that there is any discrimination or feeling of ...racist feelings". Indon2 also said he feels that many Pribumi also resent the economic success of the ethnic Chinese.

A key aspect of the environment that surrounds Indonesian business, is the corruption that exists in at least some parts of government, and the application of unofficial government policies. Three Indonesian respondents, Indon2, Indon4 and Indon5, all made direct comments about corruption. Indon2 suggested that ethnic Chinese are advantaged in entrepreneurial activity, as they take advantage of Government corruption and also said that in Indonesia you can do anything if you have money. Indon5 made comments on corruption and unofficial policies when she said that Chinese businesses often employ some Pribumi to gain favour with the Government, even though there is no policy to govern this. Indon2 gives further credibility to this assertion, having said that the ethnic Chinese could not enter the public sector under Soeharto, even though this policy was never in writing.

4.2.4 Summary of the Indonesian Approach

Although it would be unfair to suggest that it was endemic in Indonesia, it is clear that there is some evidence of negative differentiation on ethnic lines, from a management perspective. Some respondents gave answers suggesting that they come from workplaces that do not differentiate ethnically, and other showed evidence of positive differentiation. However, Indon4 was relatively open about negative ethnic differentiation in his workplace and Indon2 made references to some questionable methods employed in his workplace.

The other most significant issue that effects Indonesian workplaces is the Government tendency to apply policies that do not officially exist. From employment in the public sector to preferential granting of contracts, this practice seems to have been widespread at some period. It was suggested that this has been changing in the post Soeharto era, which is another strong characteristic of the Indonesian cultural and business environment. Since the riots of 1998, and the demise of Soeharto many feel that ethnic tolerance is growing and corruption is waning in Indonesia. The future of this trend may be critical in Indonesia's economic and ethnic development

5.0 MALAYSIAN RESPONDENTS

The first paragraph in *Section 4* Indonesian Analysis also serves as an introduction to this section. It makes reference to some of the intentions with respect to this data and some of the limitations that were experienced in obtaining it.

5.1 Results

5.1.1 Malaysian Demographics

Table 5.1 below serves an identical purpose to *Table 4.1* in the previous chapter on Indonesia.

Table 5.1 – Demographic of Malaysian Respondents

	Malay1	Malay2	Malay3	Malay4	Malay5
Ethnicity	Indian	Chinese	Chinese	Bumiputera	Chinese
Residency	Kuala Lumpur	Kuala Lumpur	Kuala Lumpur	Kuala Lumpur	Kuala Lumpur
Qualifications	Bachelor Business	High School Graduation	Business Honours	Tertiary	Diploma in PR and Marketing
Experience	15 years as manager	20 years as manager	8 Years as manager	20 years as manager/owner	7 years as manager
Size of organisation	500	30	60	13	465
Industry	Education Services	Apparel, Computers and Seafood	Advertising	Stationery	Hotel
Number of subordinates	30	30	4	12	6
Sex of respondent	Female	Female	Male	Male	Female
Keenness to respond	2	1.5	2	1	2
Tape of Interview	Yes	Yes	Yes	No	Yes

5.1.2 Malaysian Respondents

5.1.2.1 *Malaysian Respondent 1 (Malay1)*

The first Malaysian respondent, Malay1, was an ethnic Indian woman, who felt that being Indian gave her a unique perspective on what is often characterised as ethnic Chinese and Bumiputera issue only. She was quite open in her responses.

The respondents work place consists of roughly fifteen ethnic Chinese and fifteen Indians but presently no Bumiputera. There have been Bumiputera in the past and as a manager she is experienced with Bumiputera subordinates. Ethnicity in the workplace is expressed principally through language, habits and behaviour patterns. At the professional level however, she is firm in the opinion that there is little difference in attitudes to work. Non-professionally she feels that ethnic Chinese are more entrepreneurial and the Bumiputera have an attitude that they are “favoured in government policy”.

She feels that managers generally are aware of the ethnic differences in the areas of “task orientation and affinity” suggesting that Bumiputera are more family oriented. In terms of the effect of ethnicity on the work place purely in the cultural sense, the respondent suggests it can be very harmonious if managed well. When “political innuendo and political preference” come in to play however, there can be antagonism and tension, but it is possible to manage the tension. The respondent openly acknowledges the political favouritism given to the Bumiputera.

The respondent believes that many managers treat different ethnic groups differently and that “the greater the exposure [to ethnic groups] the better the ability to management. In reference to the differences expressed in 5.1.2.2, the respondent says that she will “look and seek the talents...what would be the best opportunity to maximise that talents. She refers to making use of a “natural ability because of culture and their habits that have been formed”. For example she suggests that the Chinese tend to be more business oriented and are therefore better for marketing and finance, while Bumiputera are better for artistic roles. She stresses that this is a generalisation and may be over-ridden by individual personalities. Allowances are made in the work place for different religious and cultural practices.

Referring specifically to the Malaysian context, the respondent feels that some, but not all, cultural aspects should be taken in to account in motivation. The organisation has no policy in regard to ethnic groups, and the respondent says that as multi national company they “try very hard to make it a McDonalds” in the sense of standardisation. The company has no performance based reward system “however unfair this may seem”, and the respondent feels that bonuses and expectations need to be considered from a cultural perspective.

The respondent does not believe that Malaysian society generally thinks different ethnic groups should be managed differently. She said that “we want to be treated equally and fairly but respecting religions and cultures...I think we should be treated not as an ethnic group but as an individual”. When asked about the government attitude she responded “well that’s a different story entirely...” but conceded that it had softened its approach in recent years, not out of a cultural sensitivity, but for politically pragmatic reasons, to please ethnic minorities in the Government coalition.

In reference to university intakes, the respondent said “I’m not as familiar as I used to be but know there are quotas for different courses” and that these quotas were focused at bringing a balance between the entrepreneurial Chinese and the Bumiputera. She was aware that the quota system still exists.

The respondent said that employment opportunities were different from sector to sector. Government and government oriented private corporations tended to be more heavily staffed by Bumiputeras, but other private sector companies were more balanced. In climbing the corporate ladder, she suggested it is women and Indians that have difficulties, not Bumiputeras or the Chinese. When asked about entrepreneurialism, the respondent said that the Chinese are further ahead, but special privileges in terms of housing, banking, education, shareholding and commercial licensing meant that it was easier for Bumiputera to get started.

When asked if certain groups felt disenfranchised by government and politics, she thought this might be the case, but only amongst some individuals, not generally along ethnic lines. She had previously pointed the growing role of ethnically based parties in politics and in the present Government.

The respondent felt that globalisation would have an equalising and standardising effect in terms of wealth, but felt that many smaller entities would fail. Generally she felt that globalisation would reduce ethnic differences rather than change the way in which different ethnic groups were managed. The downside of this was that ethnic identity and cultural differences would be lost.

5.1.2.2 Malaysian Respondent 2 (Malay2)

Malay2 was the least educated respondent of the research, having achieved high school graduation as her highest education level. She was somewhat reluctant in answering questions, but not to the extent of others who were noted as reluctant.

Of the 30 people in the respondents workplace, 30 percent are Bumiputera, 60 percent are ethnic Chinese and the remaining ten percent are Indian. Ethnic identity is clear in the work place, largely through religion, but the work place is “definitely” harmonious. The respondent was firm that there is no ethnic tension in the work place

Malay2 seemed very aware of ethnic differences and felt that the success of the organisation related to good management of ethnic groups, saying that everyone was treated like family. The business is indeed a family owned business.

One of the ways in which the organisation differentiates between different ethnic groups is to allow different holidays, for example giving Bumiputera time off work for Muslim holidays, and ethnic Chinese time off for Chinese New Year.

The respondent said that there was formally no different methods employed to motivate different ethnic groups, and that all staff were treated the same in this respect. No company policy exists to deal with aspects of ethnicity.

In broader society the respondent felt that there is an expectation of different management of different ethnic groups due to the different religions of those groups. Respect of religious differences was something that she felt was central in Malaysia. With respect to government she said that the treatment is “definitely different” and referred to the special privileges. She said that

many people are positive about this, but a few were not. Overall she felt the government was very successful in this regard and had helped to achieve harmony.

Following from the last question, the respondent made unsolicited comments about university entry, stating that the Bumiputera had “a bigger quota” in university entry. She said this was important in achieving equity in the Malaysian society and compared the situation Indonesia, painting Malaysia in a positive light. She further said “We Chinese feel that its not wrong to give them special privilege, I think everybody can earn a living here”.

In terms of employment, the respondent said that there was only a differentiation in the government sector where it was easier for Bumiputera. She did not feel there was a difference in climbing the corporate ladder, and felt that entrepreneurialism was easy for everyone.

The respondent could not think of any political or legal issues that impacted on her management generally or management of ethnic groups. The concept of government and its relevance to the people was difficult to convey to the respondent, but she eventually understood and said that everyone was comfortable with government ethnic policies. She believes that all races have representation in government and do not have feeling of disenfranchisement.

Malay2 did not really know how globalisation would effect her organisation generally, and had given no thought to whether it would have an effect with respect to ethnic groups. She was one of the few respondents to have generally negative feelings about globalisation, largely based on concerns of how her organisation could compete in the global market.

5.1.2.3 Malaysian Respondent 3 (Malay3)

Malay3 was very open and responsive with his answers. Although he now works as a consultant, he answered all questions from the perspective of his previous managerial role, which he held until quite recently.

The ethnic groups represented in the work place of Malay3 include Bumiputera at 40 percent, ethnic Chinese at 40 percent, and the 20 percent other groups including Indians. Ethnicity is

apparently not expressed at the professional level in the work place, but on a more casual level it is expressed mainly through food habits and socialisation.

Although aware of ethnic differences, the respondent believed that generally those differences were not strong in workplaces in Malaysia as people “live together in harmony”. This was contrasted with the racial issues that led to riots on May 13th 1969, which Malay3 felt had had a strong impact on helping to bring about ethnic tolerance and understanding. The respondent made mention of different cultural holidays and the openness with which they are all received. He emphasised that ethnic difference would mostly be expressed socially and not formally.

When asked if he dealt with different ethnic groups in different ways the respondent said that it is necessary to have “certain sensitivities”, and that he made allowances for different aspects of ethnicity. As an example, he said that certain topics are not raised such as Bumiputera privileges when talking with Bumiputera people. He said that this phenomenon would be more profound in certain industries.

In terms of motivation, the respondent felt that there were often different motivational techniques employed for different ethnic groups, particularly amongst less educated people in industries such as the rubber industry. No organisational policy exists in his work place, but he did make reference to government policies, which will be dealt with later.

In terms of the general population, the respondent felt that people expected that different ethnic groups would be treated differently to take their different customs and religions in to account, although he felt this was only done in a positive and sensitive way. From a governmental perspective, the respondent said most large companies are expected to maintain some sort of quota system. “For example if you are running a business where 90 percent of your management are Chinese and less than ten percent are Malay, then the government may come and ask why aren’t you hiring more Malays.”

When asked about ethnic education barriers, the respondent said that Chinese and Indians are more likely to attend schools with Chinese and Indian languages of instruction although these schools are open to all races. In terms of university, the respondent says he is aware there is a quota system favouring the Bumiputera, but does not know the details.

Consistent with other respondents, Malay3 said that some government sponsored businesses and the government sector will encourage Bumiputera to apply, but will still take the best candidate. The respondent points out that Malays have some advantage from government in entrepreneurial activities as they have preferential treatment from banks and in buying homes. He says no one resents this as it advantages Bumiputera, but does not disadvantage the ethnic Chinese, and that "...no one wants to see May 13th come back again".

The respondent said that there were some negative stereotypes in Malaysia that could from time to time impact how one race sees another, but managers would be very unlikely to act on this and any business that was openly discriminatory in its practices would be facing legal action. Furthermore, he said he was unaware of any manager or business having done this.

Ultimately, the respondent says, there are always some people who will feel disenfranchised by government policy and politics, but all ethnic groups have representation in the Malaysian Government. He also said that Malaysia was better off than Indonesia in terms of ethnic harmony because the Malaysian Government allowed ethnic groups to have;

- Their own education
- Their own languages
- Their ethnically different names
- Their own religion and
- Jobs in government

The respondent believes globalisation will have very widespread effects on management, but was unsure what those changes would be. He also believes that any international business or manager coming to Malaysia will adapt to the Malaysian ways of ethnic management, rather than changing them to some international standard, as Malaysians already constructively differentiate between ethnic groups.

5.1.2.4 *Malaysian Respondent 4 (Malay4)*

Malay4 runs a small business and has less English than many other respondents. Nevertheless with extra explanations he was able to understand most of the concepts discussed.

Malay4 manages a workplace of thirteen people, of which there are currently eight employees that are ethnic Chinese and five employees of other ethnic groups including Indians and Bumiputera. When asked if there was any tension between the ethnic groups, he mentioned a case where one former Tamil employee was angry with the management for non-ethnic reasons, but he polarised the work place on ethnic lines. Eventually he resigned and ethnic harmony was restored.

Malay4 said that he has always been very much aware of the ethnic differences in the work place, but this particular incident heightened his awareness. Nevertheless he still believes that if managed properly, ethnic differences are an asset to his organisation and the general harmony of the workplace.

The respondent was more than happy to share the fact that he treats different ethnic groups differently, although he treats them all well. "Of course it makes sense to treat them differently as they have different cultures background [sic]". He further stated, "but we make sure that everyone are [sic] treated well and everyone is happy". As an example he talked of different working hours, allowing for religious differences, but said there was no formal policy to govern this management practice.

When asked about differing motivational practices, he had trouble differentiating this from other roles of management. "Yes, the strongest example is the one I already give you [sic] on working hours I think". He did feel that in general different ethnic groups should be managed differently to reflect their inherent differences.

The respondent felt that Malaysian society generally felt that different ethnic groups should be managed differently. He gave the example that Chinese tended to more career oriented and needed to be paid more in order to get them to be more loyal to the company. Bumiputera on the other hand, according to the respondent, were more interested in a workplace that was sensitive to the requirements of Islam. He pointed out that the Bumiputera were advantaged in Government policy but this was appropriate. He said "The Chinese and Bumiputera can not compete on the same level or the Bumiputera will die" and "Chinese here are better off than in China or India".

In entering public universities, the respondent said that only five percent of admissions were ethnic Chinese and that this was another way in which Mahathir was closing the economic gap. He further believed that Mahathir would soon change this policy in the 'Sixth Malay Plan' as it was becoming less necessary.

In entering the public service, the respondent said that 90 to 95 percent of people were Bumiputera, but this was largely because the ethnic Chinese "...do not want to work there". He made comments on the considerable support available to the Bumiputera who wish to start businesses, but had a nonchalant rather than a negative or resentful tone to his voice.

The respondent did not feel that there was any ethnic policy or cultural pressure on his management of ethnic groups or in general. He thought that there might be for larger commercial and government enterprises, but not for small organisations such as his.

Malay4 felt that the government treatment of different ethnic groups was very much positive but still not perfect. He again mentioned the Sixth Malay Plan and felt that there would be further fine-tuning. He believed only certain individuals would feel disenfranchised by government and politics, not particular ethnic groups.

Like Malay2, the other Malaysian small business manager, Malay4 had negative feelings about globalisation, with a strong feeling that many businesses would go broke, particularly many rice farmers who would face pressure from Thai rice farmers. He did not think that globalisation would effect ethnic management as he felt that was already good.

5.1.2.5 Malaysian Respondent 5 (Malay5)

Malay5, the final respondent, was very open in her answers. Her hotel workplace of 465 people was the only one out of all respondents to have some ethnic policies in place.

The respondents' work place consists of Bumiputera, 55 percent, ethnic Chinese, 25 percent, Indians, 15 percent, with the remaining few being an international mixture. She felt that the ethnicity was best expressed through the different holidays celebrated by the different ethnic groups, and that other issues such as perception and language were less evident.

The respondent felt that managers are generally aware of these differences, but more importantly they try to look at people as individuals rather than members of an ethnic group. Any ethnic differences were largely dealt with “objectively” and a panel of three managers, to ensure no ethnic bias, deals with any tension. Ethnic differences were seen as an asset to the harmony and success of the internationally oriented hotel environment, and the workplace is very sensitive to ethnic issues.

Managers in the workplace do make allowances when dealing with different ethnic groups, largely in their manner according to the respondent. It is felt, for example, that messages can be communicated more effectively when they are tailored to specific cultural groups. An ethnic management policy exists in this workplace, with the three-member panel policy mentioned earlier forming a key part.

No differentiation is made in respect to motivation of workers on an ethnic basis, but a progressive human resource system tailoring reward to individuals does exist. It is felt that ethnic division is not always clear in the harmonious workplace and an ethnic based policy, however well intentioned, may cause problems.

When asked if broader society feels that ethnic groups should be managed differently, the respondent said that she did not believe this was the case in the hotel industry, except in the manner of methods employed in her workplace. As far as government was concerned the special privileges were again brought up but she stated that “...we would rather trade in this small concession for some peace and harmony”.

The respondent stated that a quota system existed in education, but only in the public universities. She felt that a more significant issue was the disadvantages faced by East Malaysians who are more isolated and not generally as well educated as the West Malaysians such as those in Kuala Lumpur. She reiterated that plans are in place to try abandoning the quota system for a trial period.

Barriers to employment on ethnic lines only exist in certain industries according to the respondent. She gave the example of a Chinese restaurant, where it would be impractical for a

Muslim Bumiputera to work in an environment where pork was so prevalent. She believes that no ethnic groups would find difficulty climbing the corporate ladder, as many CEO's like to have a cultural mix among the senior managers. She felt that Chinese were naturally more interested in entrepreneurial activity, even though the Bumiputera are offered privileges.

The respondent felt that there were no political, legal or cultural issues that impacted directly on her general management style, or her management of ethnic groups. She believes that the governments policies on ethnicity have "not much" effect on people in everyday life, and that people generally appreciate the stability that is a result of the policies. She believes that Indians feel disenfranchised from government and politics as they have neither the privileges of the Bumiputera or the wealth of the ethnic Chinese. She made some general comments on the symbiosis that exists between Bumiputera and ethnic Chinese, where the ethnic Chinese provide capital and entrepreneurialism and Bumiputera provide licenses, labour and opportunities, and both make money.

The respondent believes that globalisation will change communication and thereby help to further break down ethnic differences, although she feels these effects will be prevalent amongst the younger generation, not the present generation of managers. She believes there will be less negative differentiation under globalisation, and that its effects will be largely positive.

5.2 Interpretation

5.2.1 Strengths of Malaysian Approach

The Malaysian approach to managing ethnic groups showed considerably more strengths than the Indonesian approach, which appears to suggest an affirmative answer to the first research question, which seeks to determine a difference in approach to ethnic groups. In both the workplace and in broader society, there appeared to be not just a greater understanding and acceptance of ethnic differences, but also a greater appreciation of them.

At the very first it was clear that there was a strong managerial understanding and appreciation of ethnic differences. Respondents Malay2, Malay4 and Malay5 felt that ethnic identity was quite obvious in the workplace, with Malay1 and Malay3 saying it was present but not strongly expressed in the professional workplace setting. All were able to give examples of how ethnicity is expressed in the workplace, the most common being language, food, attitudes to work and social groupings. No respondents cited perception as an ethnic difference although some of the reviewed literature shows clear ethnic differences in this area. (Rani & Hamid, 2001)

There was considerable evidence in the research that managers appreciated the different strengths held by the different economic groups. Malay1 for example made reference to the “natural ability because of the culture and their habits that they have formed”. Almost all Malay respondents made mention of the valuable Chinese entrepreneurial attitude, with Malay1 suggesting that the ethnic Chinese are more business oriented and therefore better for jobs in finance, where as Malay2 spoke of the loyalty of her Bumiputera employees.

There was an overwhelming sense of freedom of ethnic expression, in the Malaysian workplaces, so long as it is coupled with a professional attitude. All Malaysian respondents felt that an ethnic workforce was an asset to the harmony of their workplace and the success of their organisation. This feeling was not without proviso; Malay1 saying “political innuendo and political preference” can become negative issues if ethnicity is not managed well.

Crucial to the thesis topic, and generally a very important issue was the consideration of ethnic differentiation. The more common issues in this regard were different holidays for different

ethnic and cultural groups, and observance of different religious practices. As already pointed out, some respondents such as Malay1 also believe that different ethnic groups are better for different jobs. Malay3 said that different motivational techniques were often employed, particularly in industries where the workforce was less educated. Some managers interviewed, particularly Malay5, made the point that their workplaces put more of an emphasis on individual differentiation. Malay5 is part of an organisation with a progressive human resource policy where reward systems are tailored to the individual.

It is also positive to note, that all Malaysian workplaces in the research have very mixed workforces, and there does not appear to be any consistent selective hiring. Malay 3 pointed out that if a workplace were hiring specifically from one ethnic group, particularly in a large organisation, then the relevant government ministry would most likely contact them. He pointed out that this has not happened to his knowledge, but he is aware of the legislation that governs the issue.

Although uncommon, it was noted that some organisational policy did exist to deal with ethnicity in the workplace, particularly ethnic tension. Malay5 detailed a system in her workplace, where in the event of a conflict, a panel of three managerial staff would deal with the issue. Using different staff enables the decision to be made by an ethnically diverse group, ensuring greater objectivity and minimising perceptions of ethnic bias.

Another strength of the Malaysian approach in the private sector was the prevalence of an ethnic mix amongst upper management. Malay5 said that this approach was preferred by CEO's for the diversity it gave, and because it made sure that the organisation could deal effectively with different ethnic groups in a business sense. Malay1 felt that although ethnic Chinese and Bumiputera had equal opportunities, Indians and women were disadvantaged.

5.2.2 Weaknesses of Malaysian Approach

There are several apparent weaknesses of the Malaysian system, although when considered in context they seem to be necessary, though unfortunate. Generally they are directed at correcting the imbalance between the ethnic Chinese and the other ethnic groups, particularly the Bumiputera.

The entrance quota system in public universities is one area in which this differentiation is apparent. Although there is a strong awareness of the existence of this system, and that it favours the Bumiputera students, there is a generally lack of knowledge about how the system is implemented. Malay4 mentioned that this policy was about to undergo a trial change, giving each ethnic group an equal chance of entry, to see if it would be more effective.

In a very similar vein to the education quota system, there is a strong preponderance of hiring Bumiputera to work in the government sector. Four Malaysian respondents mentioned this predisposition towards Bumiputera citizens, although Malay4 suggested that it is also because ethnic Chinese do not want to work there. Several respondents commented on the assistance the Bumiputera have in entrepreneurialism, but none were critical.

Another apparent shortcoming in the Malaysian approach, is the apparent lack of formal policy to deal with ethnic groups. Although this is understandable for small organisation, such as those managed by Malay2 and Malay4, it is less understandable for the larger enterprises. Of the five respondents, only Malay5 was able to detail any ethnically responsive policies, and this related largely to disciplinary matters as discussed above.

5.2.3 The Workplace in the Context of Broader Society

The apparent strengths and weaknesses of the Malaysian approach to ethnic management need to be considered in the context of Malaysian society and its present level of socio-economic development. What appear to be weaknesses and flaws in the Malaysian approach have a sound basis and appear to make considerable contribution to the present economic, ethnic and political stability of Malaysia.

All respondents have made it clear that a highly significant air of ethnic and cultural tolerance and understanding pervade industry. Although some stereotypes do exist, as mentioned by Malay3, all people seem to be strongly sensitive to ethnic differences. Malay1 said, "we want to be treated equally and fairly but respecting religions and cultures", and Malay2 said that respect for religious differences was central to the Malaysian way of life. That attitude, held by all respondents, seems to be indicative of a nationwide acceptance of ethnic differences.

Although many external observers, and some Malaysian observers, see the Bumiputera special privileges as institutionalised discrimination, they play a key role in maintaining harmony in Malaysia. Malay4, a Bumiputera, said “The Chinese and Bumiputera can not compete on the same level or the Bumiputera will die”. This was a view shared by ethnic Chinese managers with Malay2 saying that people were positive about the Bumiputera privileges and that the government had been very successful in this regard. Malay3 said that “...no one want to see May 13th [the riots of 1969] come back again” in support of the system which helps to close the economic gap between ethnic Chinese and Bumiputera.

One significant aspect of the Malaysian system appears to be the open approach that the government takes in administering the special privileges. Although some of the reviewed literature suggests otherwise, all respondents seem happy to talk about what they describe as government policy. Malay3 also mentioned how different languages and schools were allowed by the Malaysian Government where as they had been suppressed in Indonesia. To ensure equity, the government also maintains and enforces ethnic employment laws preventing employers from discriminating. It was significant also that no Malaysian respondents mentioned corruption as an aspect of Malaysian business.

5.2.4 Summary of Malaysian Approach

On the issue of positive ethnic differentiation, four out of the five respondents indicated that it existed to some extent in their workplace. Only Malay2 did not give a significant example of such practices in her small, family-owned workplace. Malay5 gave example in her workplace not only of positive ethnic differentiation, but also of strong positive individual generation.

Although there appeared to be some weaknesses in the Malaysian approach to ethnic management, when considered in the light of broader social issues, such as economic division on ethnic lines, strong feelings of harmony and an open approach by government, they fit well in to Malaysian society. Although they would not be considered acceptable in other nations, which do not share Malaysia's contemporary issues, they are well accepted by Malaysians of different ethnic backgrounds including the Bumiputera and the ethnic Chinese.

6.0 CRITICAL COMPARISON

Having analysed the results obtained from both Indonesia and Malaysia, an understanding of the different approaches is becoming apparent. The similarities and differences observed however, are better demonstrated through a direct comparison of those analyses, from the perspective of the workplace, and the broader context of Indonesian and Malaysian society.

6.1 *Similarities of Indonesian and Malaysian Approach*

6.1.1 In the Workplace

One of the more significant similarities that existed was the consistent lack of any workplace ethnic policy. This lack is understandable in the small and family oriented workplaces of Indon1 Malay2 and Malay4, but is less understandable in organisations having up to 500 full time staff. The only respondent that was able to comment on a workplace ethnic policy was Malay5, who manages a department within a major hotel, employing 465 staff. Given the multi-ethnic multi-racial workplaces that exist in Indonesia and Malaysia, it seems reasonable to expect all medium and large enterprises to have some form of formal ethnic policy.

An obvious similarity between the workplaces in Indonesia and Malaysia is the ethnic mixture that exists. Indonesian workplaces have a mixture of Pribumi, ethnic Chinese, Indian and other ethnic groups, with Pribumi consisting of many different sub groups from different Indonesian islands and regions. Malaysia also has Bumiputera, ethnic Chinese and Indians although the proportions tend to be different. As Malaysia is 27 percent ethnic Chinese and Indonesia is 3 percent ethnic Chinese (Suryadinata, 1997), it is expected that there would tend to be a greater proportion of ethnic Chinese in the Malaysian workplaces, as is reflected in the data.

Attitudes towards globalisation tended to be received in a similar way by managers from both countries. Rather than being divided on nationality or on ethnic lines, respondents seemed to be more divided on industry and organisational size. Malay2 and Malay4, both small business managers tended to have somewhat mixed or negative feelings about globalisation. All the managers of large organisations or departments within large organisations were much more positive.

6.1.2 In Broader Society

In reference to the respective governments of Indonesia and Malaysia, and to the broader society, there are other significant similarities. One of the more significant is the different treatment of different ethnic groups by government and government agencies. Although they have a different approach in the different countries, many respondents mentioned the differentiation. All Malaysian respondents mentioned the special privileges that are granted exclusively to the Bumiputera in Malaysia. All except Malay2 made these comments with reference to entrepreneurial opportunities, where as Malay2 mentioned them with reference to the attitudes of broader Malaysian society. Most Indonesian respondents, including Indon1 and Indon5 as detailed earlier in the Indonesia analysis, also mentioned differential treatment by government.

Respondents from both countries raised other aspects of this differential treatment, including a quota system for tertiary education entry and public sector employment opportunities. However Malay4 suggested that ethnic Chinese people simply do not want to work in the government sector and Indon3 rejected the suggestion of differential hiring practices by any sector of Indonesian society. All respondents except Indon4 were aware of the education quota system, although few except Indon5 had any knowledge how it works.

The most obvious similarity between Indonesian society and Malaysian society, and a fact that makes this research relevant, is the multi-racial and multi-ethnic nature of both countries. The complex socio-cultural nature of each country is fundamentally based on the interaction of Bumiputera/Pribumi, ethnic Chinese, Indians and other ethnic groups. Although different paths of assimilation have been pursued with different successes, the mixture of colour, culture, religion and attitudes remains an overwhelming feature of each country.

6.2 Differences of Indonesian and Malaysian Approach

6.2.1 In the Workplace

As well as significant similarities in the Indonesian and Malaysian approach, there are some clear and definitive differences in their management of ethnic groups. Indonesia managers, in general,

appear to demonstrate less ethnic tolerance, awareness and acceptance in the workplace than Malaysian managers do. All Malaysian managers for example, felt that the ethnic differences that exist in the workplace were an asset to the success of the organisation and the harmony of the work environment. Amongst the Indonesian managers the view showed more variation with some seeing ethnic differences as positive, but others such as Indon3 and Indon4 having mixed feelings or failing to appreciate ethnic differences. Indon4 gave examples of how ethnicity was suppressed in his workplace, through an insistence that all employees speak the same language.

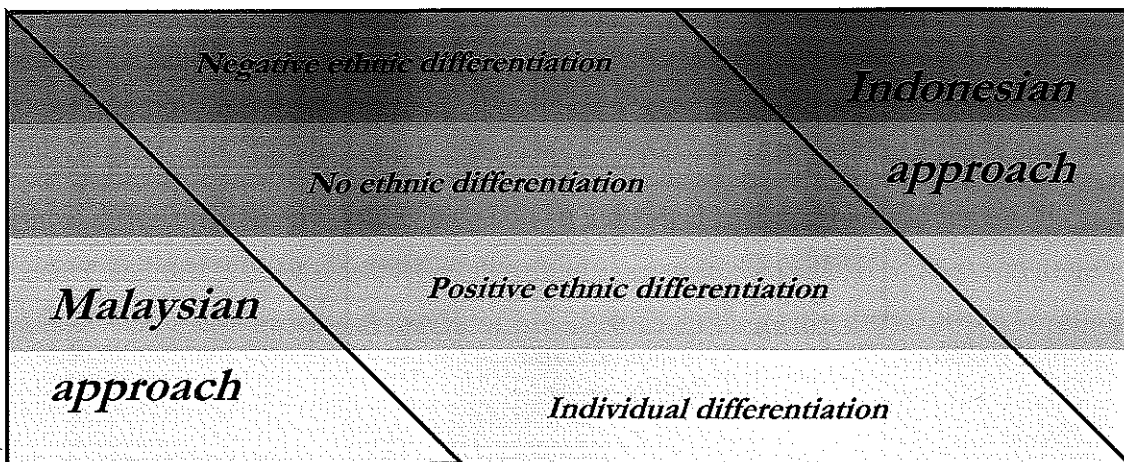
A strong difference was clear in the issue of ethnically based employment and employment law. Although many managers from both countries said that there was some preference for Pribumi/Bumiputera in the government sector, there was a clear difference in the private sector. Malay3 spoke of a system whereby organisations, particularly large organisations were expected to maintain an ethnic balance in their workforces. Indon2 believed there were laws relating to ethnic employment in Indonesia but said they were never policed or enforced, and most people were not aware of them. Ethnic employment would also be influenced in Indonesia by an unwritten policy to give government contracts to Pribumi run companies, an approach mentioned by respondent Indon5.

In the light of the research topic, the most significant difference apparent in the data is how the respective countries differentiate between ethnic groups. Although Indonesia and Malaysia are not polar opposites in their approach to ethnic groups, the data highlighted some clear differences. Malaysia, though demonstrating some variety in its approach to differentiating between ethnic groups, showed considerable differentiation of a positive nature. Malay1 spoke of the "natural ability because of the culture and their habits that they have formed", and also mentioned the strong business nature of the Chinese, as did many other Malaysian respondents. Malay3 said that different motivational techniques were often employed for different ethnic groups, particularly in some industries. Malay5 said that her organisation effectively went beyond ethnic differentiation and differentiated on an individual basis. Other respondents including Malay2 said that in their workplaces, all people were treated equally, regardless of ethnic background, but none gave examples of any negative differentiation. The different responses suggested that there were four approaches to how people are differentiated between groups in the workplace. These are, in an intuitive order, and one supported by valence theory, (Bartol, Martin, Tein & Matthews, 1998):

- Negative ethnic differentiation
- No ethnic differentiation
- Positive ethnic differentiation
- Positive individual differentiation

In contrast with the Malaysian approach, Indonesian managers tended to differentiate more negatively. Indon3 and Indon5 were two respondents who gave strong examples of how ethnic groups were all treated the same in their workplace, but other respondents appeared to demonstrate negative differentiation. Indon4 managed a workplace that does not allow the ethnic Chinese to speak Chinese and work, and exploitatively pays some workers less. Indon2 admitted that in his workplace, some people were manipulated based on their religious beliefs. The different approaches taken by Malaysia and Indonesia are demonstrated in *Diagram 6.1* below, which shows that the approaches are not mutually exclusive, but emphasise different approaches. Each country covers the breadth of the four approaches mentioned earlier, but Indonesia tends more towards negative differentiation and no differentiation, where as Malaysia tends more towards positive ethnic and positive individual differentiation. The difference is exaggerated in the diagram for illustrative purposes. Examples of how this is manifested are also apparent in *Section 2.1.2* where the racial riots are discussed and the Central News Agency explains the extent negative ethnic differentiation by stating that "...the only way to keep Indonesians, especially ethnic Chinese, in the country, was to discard past discriminatory practices in the education system". (Central News Agency, 1999a, p2).

Diagram 6.1 – Comparison of Indonesian and Malaysian Approach

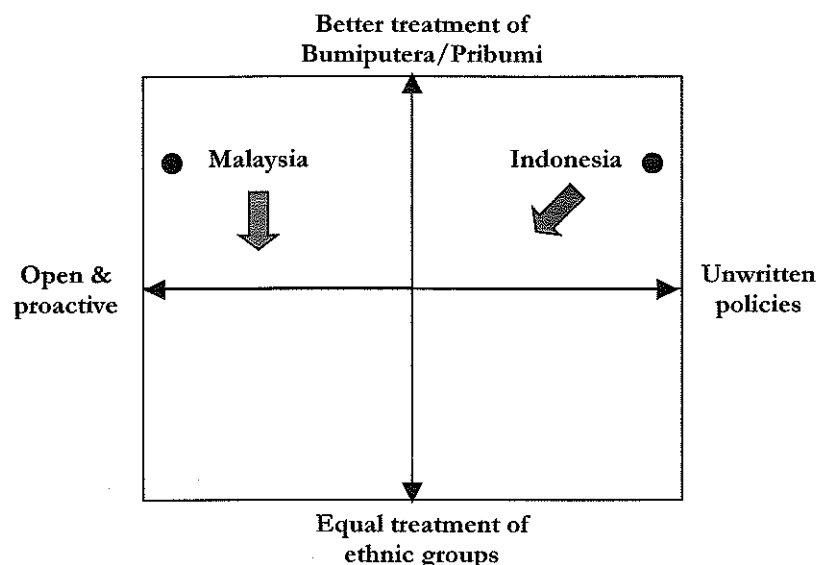


6.2.2 In Broader Society

A difference in approach from a broader context, is how government policy is applied. In Malaysia, there are strong policies giving special privileges to the Bumiputera, which all respondents were familiar with and discussed in a positive or neutral manner. Malay4 pointed out that it was not possible for Bumiputera to compete against the Chinese, and the government policies of equality helped to close the economic gap in Malaysia. By contrast, similar policies are applied in Indonesia but are not actually set out in law to the respondents' knowledge. Indon1 for example said "No, there is no such thing like that" in reference to ethnic laws and policies, but he amongst other Indonesian respondents said that it is easier for Pribumi to gain employment in the public sector. Indon2 pointed out that he felt Indonesia was often a 'lawless place'.

Several respondents pointed out however, as stated earlier, that things had been improving in Indonesia in this regard since 1998 and the demise of Soeharto. It has already been established, with respect to Malaysia, that under the Sixth Malay Plan there will be some attempts by the government to apply more equal treatment of ethnic groups, particularly in the fields of education and public sector employment.

Diagram 6.2 – Comparison of Government and Society Differentiation of Ethnic Groups



The positions of Indonesia and Malaysia in the context of broader society are illustrated above in *Diagram 6.2*. The horizontal continuum demonstrates the different approach to ethnic differentiation in government policy in each country, expressing how Malaysia tends to be open and proactive, whereas Indonesia tends to follow unwritten policies. The vertical continuum shows that both Indonesia and Malaysia engage in preferential treatment of the Pribumi and Bumiputera respectively. The arrows provide an indication of the change that is taking place in each country, with both appearing to move to a policy of equality and pro-activity. The continua presented are supported by practical examples such as that expressed by Jayasankaran (2000) in *Section 2.1.3*, who suggests that the tertiary education system is openly used to favour the Bumiputera Malays, with the suggestion that if enrollments were purely merit based then 5% of students would be Malay rather than the current 60-70%.

6.3 Response to Research Questions

6.3.1 Primary Research Question

Is there any difference in the level of constructive differentiation exhibited by managers in Indonesia and Malaysia in the management of ethnic groups?

The data collected indicates that there are differences in the level of positive ethnic differentiation in organisations in Indonesia and Malaysia. The data further suggests that Malaysian managers tend to show a greater degree of positive differentiation in their management practices than Indonesian managers, and a lower degree of negative differentiation.

6.3.2 Secondary Research Questions

What mediates any differences apparent in the respective management of ethnic groups in Indonesia and Malaysia?

The data of this study suggests that the social and cultural differences in wider society in Indonesia and Malaysia impact explicitly and implicitly on these identified differentiation practices. Different legislative and cultural practices in Malaysia and Indonesia apparently express themselves as different management practices in organisations. It appears that the unwritten

government policies and culture of stereotyping in Indonesia mediate in the less positive differentiation practices of Indonesia managers, whereas the more open and progressive approach in Malaysia mediates on their more positive differentiation practices.

What are the implications of any differences for management and business in Indonesia and Malaysia?

As Australia is inextricably linked to Southeast Asian Economies, in the context of business development it is important that Australian business and managers are aware of, and culturally sensitive to such management practices when developing ventures or managers for the Malaysian and Indonesian business environment. For example, in doing business it is important to understand, as expressed earlier by Barber and Daly (1996), that reward system need to be positively tailored to cultural and ethnic groups, as the wrong reward will not be sought by employees. In Indonesia and Malaysia we must therefore understand that ethnic Chinese and native workers may not be equally motivated by the same reward package.

It is equally important to realize that the apparent results of this data have important ramifications for training managers for ventures in Indonesia and Malaysia. As Rani and Hamid (2001) pointed out, there are significant cultural differences between ethnic Chinese and Bumiputera Malaysians, when considering the continua extolled by Hofstede (1980, 1991). Coupled with the data, it suggests that a different approach should be taken in respect to ethnic groups within each country, and a different approach should be taken for each country as a whole. A manager trained to be more understanding of this will be more successful than one who treats the Malaysian and Indonesian workforces, and the region, as a homogenous group.

7.0 CONCLUSION

7.1 *Research Overview*

Some of the considerable literature available on the ethnic groups in question was reviewed in *Section 2.1*, and some of the relevant management literature was reviewed in *Section 2.2*. The former, along with *Table 2.1*, highlighted some of the social and economic differences that exist within both Indonesia and Malaysia between ethnic groups, as well as the differences that exist between Indonesia and Malaysia with respect to ethnicity and political and economic stability. The latter examined both the broader literature emphasising the importance of culture on management and some literature specific to Indonesia and Malaysia, particularly that which emphasised the ethnic issues in these countries.

Significant gaps became apparent during this literature review, which were presented in *Section 2.3*. The most obvious of these gaps was the lack of literature addressing the interface between the political science issues and the practice of management. This gap has important ramifications for the significance of this research. Other gaps included the lack of material on Indonesian management practices, particularly in comparison to Indonesia, and the lack of literature expressing the attitudes of the ethnic groups themselves towards the differences that exist between them.

Section 3.1 of this research presented the primary questions exploring the idea that there is a difference in the degree of ethnic differentiation expressed by managers in Indonesia and Malaysia. It further detailed the research problem and purpose, precisely identifying what will be compared in *Diagram 3.1*. The section also looked at the significance of this research, considering the economic power of ethnic Chinese people in Indonesia and Malaysia and the lack of existing literature in some areas. The principle assumptions of the research were also considered, particularly that the manager interviewed followed the wider societal norms of their countries.

Methodology was considered in depth in *Section 3.2*, starting with the approach taken. It was emphasised that the research is largely of an exploratory nature, dealing with a large field of study. A qualitative approach was put forward as being more suitable to the ethnographic nature

of the research. *Diagram 3.2* demonstrated the way in which respondents would be sampled, and was accompanied by a justification. Data collection and analysis were discussed, with recorded in depth interviews selected as the best way to obtain the requisite qualitative data. There was also considerable discussion of the limitations in this section, from both an internal and external perspective, which impact heavily on the ultimate conclusions of this research

Section 4.0 presents and analyses the data obtained from the Indonesian respondents, two of whom were Pribumi, one of whom was Chinese, one of whom was Pribumi-Chinese and one of whom was Pribumi-Australian. All Indonesian respondents were university educated and managers in private enterprises in Indonesia. One of the most significant results that was suggested by the data was the Indonesian tendency towards unwritten ethnic policies, both in the workplace and in broader society. It was also suggested that this led towards resentment between ethnic groups, and there were some apparent ethnic tensions in some of the workplaces of the managers interviewed

Section 5.0 presents and analyses the data of Malaysian respondents, three of who were ethnic Chinese, one of whom was Bumiputera and one of whom was ethnic Indian. Four of the five respondents were tertiary educated and all managed within private enterprises in Malaysia. This data appeared to contrast somewhat with the Indonesian data, with less tension apparent between ethnic groups. There was also a clear tendency, particularly by government, to be very open with respect to existing racial policies.

Coming to the crux of the data, *Section 6.1* presented some of the similarities of the Indonesian and Malaysian approaches to ethnic groups. In both cases there seemed to be a lack of ethnic policy within workplaces, even in the larger organisations. Mixed workforces was also a consistent trait across all workplaces studied, regardless of which country the workplace was in. Within broader society, it was apparent that there are policies in place which favour the Pribumi and Bumiputera citizens, something which was acknowledged by almost all respondents.

Section 6.2 continued with the critical comparison of the data obtained from respective countries. This section also presented and discussed *Diagram 6.1* and *Diagram 6.2*, both of which are important in presenting the important findings of the research. The former demonstrates the apparent tendency of Malaysia to differentiate more positively between ethnic

groups and the latter showed the relative positions of the two countries on two continua, as was suggested by the data obtained.

7.2 Summary of Differences

Indonesia and Malaysia appear to have much in common, within the scope of this research. They both represent multi-cultural, multi-racial nations, both seem to lack formal ethnic policy in private enterprise, the respondents have similar attitudes towards globalisation, and government in each country apparently differentiates on an ethnic basis. The research results suggest that the most significant differences between the approach taken in Malaysia and the approach taken in Indonesia revolve around three key issues. These are different attitudes towards ethnic groups in the workplace, different approach towards ethnic policy by government and ethnic differentiation in the workplace. How they appear to differ in these areas is detailed in *Section 6*, Comparative Analysis and it is the third that is the most significant to this research, as it relates directly to the research questions, as stated in *Section 3.1*.

Based on the responses of ten managers from Indonesia and Malaysia, from a variety of industries and ethnic backgrounds, there is a suggestion that there is a significant difference between how Malaysia and how Indonesia differentiate between ethnic groups in a managerial and organisational context. The nations appear to show different levels of appreciation and acceptance of alternate ethnic groups and this in turn is reflected in how they manage, motivate and interact with these groups.

It would be unfair to characterise Indonesia and Malaysia as polar opposites in their approach to ethnic groups, as it would be foolhardy to acknowledge them as identical. The two countries share much common ground both in the workplace and in broader society, as is clearly demonstrated in *Section 6.1*. Both countries produced managers who show evidence of negative attitudes towards ethnic differences, and both produced managers who show positive attitudes towards ethnic differences. It is the frequency of each extreme, and the distribution along the continuum in between that produced significant results.

Diagram 6.1 provides a clear representation of the differences that the research suggests, while still acknowledging the overlap and similarity in the Malaysian and Indonesian approach with

respect to ethnic differentiation in the workplace. This result is also true not just of practices in the workplace, but apparently also of the attitudes of manager, the attitudes of broader society, and the attitudes and practices of government in the respective countries.

Understanding of these apparent differences, including the overlapping nature of approach, is extraordinarily important in a business context. To expect the nations of Indonesia and Malaysia, which appear to, and genuinely do, have much in common to be identical in any significant business practice would be truly ignorant. To gain appreciation of the apparent differences and then expect practices to be mutually exclusive would be almost as ignorant. The research demonstrates that there are appear to be important differences in business practices, as well as significant overlap in Indonesia and Malaysia.

7.3 Possible Root Causes of Differences

To understand precisely why differences may exist between these two countries is beyond the scope of this research, but to provide some suggestions is not. The two nations have very different colonial histories and each has been affected in different ways, just as any modern society is at least in part, a product of its history. The ways in which the British withdrew from Malaya, and the Dutch withdrew from Indonesia, helps to provide some insight. Malaya was left with a far more stable system and was given more support than Indonesia when their colonial systems eventually came to an end (May, 2000), and this left Indonesia somewhere behind Malaya, which was to become Malaysia, from the beginning. Furthermore, whereas Indonesia includes disparate groups united under force, Malaya was formed as a federation of different post-colonial states. (May, 2000).

The different geographical makeup of Indonesia and Malaysia also seems significant, with Malaysia being smaller and compact, and Indonesia consisting of an enormous archipelago of over 13,000 islands. Administering such different landmasses, despite their geographical proximity, represents very different challenges.

The different percentages of ethnic groups in Indonesia and Malaysia has already been detailed here, as stated by Suryadinata, (1997). Indonesia has only 3.0 percent ethnic Chinese and Malaysia has nearly 30 percent ethnic Chinese. Furthermore, as has been pointed out by several

respondents, Indonesia is made up of distinct ethnic groups from many islands, all of which are broadly characterised as Pribumi. Malaysia clearly has a far less fractious makeup, due to its geography and colonial history, again representing very different challenges for the respective governments of these nations. As Malaysia has far more ethnic Chinese as a percentage than Indonesia, it would have been far harder for Malaysia to negatively differentiate against them. It would also be less desirable to do so as Hiebert (1999) points out that ethnic Chinese votes can determine the results of elections in Malaysia.

The seemingly quiet approach of Indonesia, as compared to the open approach of Malaysia in respect to government differentiation of ethnic groups is something that appeared to come through quite strongly in the primary research. The fact that ethnic groups in Malaysia have been informed of differential treatment and why it exists could be quite significant in understanding why ethnic groups seem to exist more harmoniously in Malaysia than in Indonesia. A society where these differences are seen to exist, but the government claims they do not, is far more likely to experience ethnic tension than one with an open and accountable approach.

The pursuit of different economic policies in the post world war II period (CIA, 2000a & 2000b) has led to very different levels of prosperity in Indonesia and Malaysia, something which is very clear when examining *Table 2.1*. This fact undoubtedly has many ramifications in the management of private enterprises, which will necessarily affect management of workers to some degree. It would be unlikely for nations with very different levels of prosperity to have identical managerial practices.

7.4 Malaysia and Greater Positive Differentiation

Ultimately, this research suggests, within the assumptions and constraints of this research, that Malaysia differentiates more positively in its management of ethnic groups than Indonesia does. Apparently Malaysian managers are not always, but are frequently more likely to use positive techniques in ethnic differentiation within the workplace and Indonesian managers are seemingly more likely to differentiate in a negative way.

As has been discussed previously and has been represented in *Diagram 6.1*, this suggested difference is only suggested as a general trend for numbers of managers within each country, not

a rule for individual managers. It is therefore the speculative finding that the first research question “Is there any difference in the level of constructive differentiation exhibited by managers in Indonesia and Malaysia?” is answered in the affirmative, with Malaysian managers appearing to be more constructive. Of course this must be considered with respect to the small sample size and other limitations of this research; whether this is true of other groups of managers from these two countries remains to be seen. The reasons that this difference appears to exist are many and complex, but appear to relate to a large number of social, historical, political and cultural issues. Nevertheless it is not surprising in consideration of the literature in *Section 2.2.1* which emphasises that cultural differences do exist and it is important to understand them from a management perspective.

This finding, which compares Malaysian management of ethnic groups to Indonesian management of ethnic groups in a favourable light, presents more questions that can be examined in the future. Although it has been discussed to some extent in *Section 7.2*, serious research needs to be done to understand the causes of this apparent difference. Furthermore, a quantitative examination of the same issue, with a highly developed measurement scale, would have great value in establishing the true extent of the difference in ethnic management that this research has exposed. Assessing the attitudes of large numbers of employees within a suitable industry sector preferably in one multinational corporation in Malaysia and Indonesia will remove some of the limitations to which this research is subjected. Research questions would involve a numerical assessment of the differences, and a more detailed analysis of their roots.

Australia is inseparable from the Southeast Asian region, a region that the examined literature has shown to be of significant and increasingly significant economic importance. Although many organisations in the past have seen Australia as culturally European, many today see our future as inextricably linked with Southeast Asia and Asia generally. It may take time for us to adapt to this concept, but this and other research helps us to begin that process. Understanding that there are a myriad of differences and similarities between countries that we generally classify together gives an organisation an edge. Understanding that Malaysian managers appear to differentiate more positively on ethnic lines than Indonesian managers may prove, after further research, to be a part of that greater understanding we need to achieve.

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9.0 APPENDICES

9.1 *Appendix 1 – Interview Questions*

Ethnic identity in the work place

- Is there more than one ethnic group in the work place?
- What ethnic groups?
- Is there a sense of ethnic identity in the work place?
- How is this ethnicity expressed? (perception, language, habits, food, socialisation)

Management attitudes to and perceptions of ethnic issues

- Are managers generally aware of these differences or preoccupied with certain ethnic groups or cultures?
- How managers react to these differences?
- Are these ethnic differences positive or negative in their influence on the harmony of the work place and organisational culture?
- Are these ethnic differences positive or negative in their influence on the success of the organisation?
- Does the organisation have any human resource development programs relating to cross-cultural management?

Management approaches to different ethnic groups

- Do you or any other managers deal with different ethnic groups in different ways?
- Do you make allowances for different aspects of ethnicity?
- Does organisational policy make allowances for different aspects of ethnicity?

Motivation of different ethnic groups

- Should different ethnic groups be motivated in different ways?
- What different ways?
- As a manager do you attempt to motivate different ethnic groups in different ways?

- How, and in what different ways?
- Does organisational policy work to motivate in different ways?

Management of ethnic groups in the context of broader society

- Does X society as a whole think that different ethnic groups should be managed differently?
- In what ways should this occur?
- Does government demonstrate that it believes different ethnic groups should be managed differently?
- How and why does it do this?

Limitations to education

- Are there any limits to the educational achievements of certain ethnic groups in your country?
- Which group and how?
- Are there any means of skewing university intakes to a certain ethnic group?
- Which group and how?

Barriers to employment

- Are there any barriers to certain ethnic groups finding employment?
- Which group and how?
- Are there any barriers to certain ethnic groups in climbing the ladder?
- Which group and how?
- Are there any barriers to certain ethnic groups in an entrepreneurial role?
- Which group and how?

Political and cultural issues and their impact on management style

- Do political, legal and cultural issues impact on management style?
- How and why does this happen?
- Do political, legal and cultural issues impact on management of ethnic groups?
- How and why does this happen?

The relevance of politics and government to people

- How much does government ethnic policy effect people in everyday life?
- Do any ethnic groups feel disenfranchised by government and politics?
- Which groups and why?
- In what ways does government treat different ethnic groups differently?
- Does this have ramifications for management?

Issues of Globalisation

- How will globalisation affect management of ethnic groups?
- Will there be more or less differentiation in management of different ethnic groups in the future?
- Is this a negative or positive step?

Demographic Information

- Ethnicity
- Qualifications
- Experience
- Size of organisation
- Industry
- Number of Subordinates
- Sex

9.2 Appendix 2 – Confidentiality Agreement

I, _____, understand that in supplying information to Matthew Fergusson-Stewart through an in depth semi-structured interview and other sources, my name will remain at all times confidential. I understand that neither my name, nor my place of employment will appear in his Honours thesis, or in any other document. I accept that I may be quoted or have my attitudes, perceptions, feelings or ideas represented, but they will be in no way connected with my name.

I do/do not give my consent for our interview to be tape-recorded.

Name of Interviewee

Signature

Date

Matthew Fergusson-Stewart

Signature

Date